A MESSAGE FROM THE PRESIDENT

To our Shareholders, Customers and Employees:

Unaudited results through September 30, 2015 show net income before preferred stock dividends of $3,612,000. This is an increase of 16.7% over the same period in 2014. As a result our Return on Average Assets rose to .71%. Net interest income increased 3.9% to $17,611,000, with the increase coming from a reduction in funding costs as well as growth in the loan and securities portfolios. Non-interest income has increased 6.3% or $168,000 over the prior year, while non-interest expense has increased 3.5% or $503,000.

We have not added to the provision for loan losses this year, as management and the board are comfortable with the reserve, which is monitored monthly for adequacy. This has contributed to approximately 62% of the increase in net income before preferred stock dividends year over year.

On the balance sheet, loan growth from the prior year stood at $35,175,000, which is a solid 6.5% increase. Our pipeline looks fairly strong for the remainder of the year and we are hopeful to continue to increase our loan book.

We have increased securities by $12,180,000, growing the portfolio fairly significantly over the same period last year.

On the liabilities side, we saw excellent deposit growth across the personal, commercial and municipal categories. Those three classes of local deposits grew $48,522,000 or 12.8% year over year. Brokered deposits were reduced significantly as we elected to increase borrowings from the Federal Home Loan Bank. We have worked hard at deposit growth over the years and are pleased with these results.

Total consolidated equity stood at $61,904,000. A quarterly common stock dividend of $.10 per share was paid for the third quarter of 2015.

In September and October at our annual employee appreciation events, we recognized 36 employees for their combined 445 years of service with Katahdin Trust, ranging from five to thirty-five years. We are fortunate to have many talented employees who continue to make vital contributions to our Company.

I would like to congratulate Aaron Cannan on his recent well-deserved promotion to Senior Vice President, Commercial Services Officer. Aaron has over 20 years of experience in the financial services industry and since 2007 has served as Vice President, Commercial Services Officer in the Scarborough office. Aaron will continue with responsibilities for leading and supervising the Bank's business development efforts in the southern Maine area.

We are pleased to welcome Benjamin (Ben) McQuade as a Commercial Services Officer. Ben graduated from the University of Maine, attaining his bachelor's degree in business administration with a concentration in finance. He joined the financial services industry in 2012 at Norstate Federal Credit Union, most recently serving as branch manager in the Presque Isle office. Ben will be responsible for business lending and development in the Presque Isle area.

As always, if you have questions regarding the Company or this report, please don't hesitate to contact us.

Sincerely,

Jon J. Prescott

President & CEO

DIRECTORS

Steven L. Richardson, Chairman
Harold L. Stewart II, Esq., Vice Chairman
Jon J. Prescott
Robert E. Anderson
Robert H. Anderson
Peter F. Briggs
Paul R. Powers
Arthur L. Shur
Richard J. York

SENIOR MANAGEMENT

Jon J. Prescott, President & CEO
Bonnie C. Foster, Senior Vice President, Retail Services
Matthew M. Nightingale, Senior Vice President, Treasurer & CFO
Vicki J. Smith, Senior Vice President, Marketing & Communications
Peter P. St. John, Senior Vice President, Commercial Services

LOCATIONS

BRANCH OFFICES

Ashland*
17 Main Street
435-6461

Bangor*
609 Broadway
942-3146

Bangor*
52 Springer Drive
947-9674

Caribou*
105 Bennett Drive
498-4200

Eagle Lake
3440 Aroostook Road
444-5543

Easton
82 Center Road
488-6642

Fort Fairfield*
290 Main Street
472-3161

Fort Kent*
79 West Main Street
834-2348

Hampden*
57 Western Avenue
862-2211

Houlton*
65 North Street
532-4277

Island Falls*
1007 Crystal Road
463-2228

Limestone*
35 Main Street
325-4711

Mars Hill*
28 Main Street
429-8400

Oakfield
200 Oakfield Smyrna Rd
757-8288

Patten*
11 Main Street
528-2211

Presque Isle*
6 North Street
764-8000

Scarborough
144 US Route One
510-7017

Van Buren*
29 Main Street, Ste.105
868-2728

Washburn
1282 Main Street
455-8141

*24-HOUR ATM

COMMERCIAL LOAN OFFICE

Maine Financial Group
144 US Route One, Scarborough
885-5900



PHOTOS BY PAUL CYR

2015
THIRD QUARTER

Katahdin Trust Company

www.KatahdinTrust.com

MEMBER FDIC

Katahdin Bankshares Corp.

KATAHDIN BANKSHARES CORP.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)



CONSOLIDATED STATEMENT OF CONDITION

(UNAUDITED)

ASSETS	September 30, 2015	2014
Cash & Due from Banks	$ 11,020	$ 12,781
Investments	69,728	57,548
Total Loans	579,860	544,685
Reserve for Loan Loss	(5,417)	(6,242)
Fixed Assets	13,419	14,332
Other Assets	19,203	21,198
Total Assets	**$ 687,813**	**$ 644,302**
LIABILITIES		
Deposits	$ 576,485	$ 555,135
Repurchase Agreements	412	869
Borrowings	36,291	5,551
Other Liabilities	12,721	12,014
Total Liabilities	$ 625,909	$ 573,569
SHAREHOLDERS' EQUITY		
Preferred Stock, Series C	$ -	$ 11,000
Preferred Stock, Series D	$ 9,650	$ 9,603
Common Shareholders' Equity	52,995	50,817
Net Unrealized Appreciation/(Depreciation) on Securities Available-for-Sale, Net of Tax	248	(231)
Net Unrealized Appreciation/(Depreciation) on Derivative Investments at Fair Value, Net of Tax	(989)	(456)
Total Shareholders' Equity	$ 61,904	$ 70,733
Total Liabilities & Shareholders' Equity	**$ 687,813**	**$ 644,302**
Letters of Credit	$ 2,909	$ 2,959

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For 3 Months Ended September 30, 2015	2014	For 9 Months Ended September 30, 2015	2014
Interest Income	$ 6,994	$ 6,895	$ 20,503	$ 20,192
Interest Expense	966	1,062	2,892	3,239
Net Interest Income	$ 6,028	$ 5,833	$ 17,611	$ 16,953
Less: Provision for Loan Losses	-	70	-	478
Net Interest Income After Provisions	$ 6,028	$ 5,763	$ 17,611	$ 16,475
Non-Interest Income	1,011	942	2,839	2,671
Non-Interest Expense	5,068	4,909	15,102	14,599
Net Operating Income	$ 1,971	$ 1,796	$ 5,348	$ 4,547
Less: Provision for Income Taxes	638	578	1,736	1,451
Net Income	**$ 1,333**	**$ 1,218**	**$ 3,612**	**$ 3,096**
Less: Dividends on Preferred Stock	219	256	692	311
Net Income Available to Common Shareholders	**$ 1,114**	**$ 962**	**$ 2,920**	**$ 2,785**
Earnings Per Common Share	$ 0.33	$ 0.28	$ 0.86	$ 0.82
Annualized Return on Average Assets	0.77%	0.75%	0.71%	0.64%
Annualized Return on Average Common Equity	8.46%	7.61%	7.55%	7.54%
Book Value Per Share at period end[1]			$ 15.35	$ 14.73
Tangible Book Value Per Share at period end[2]			$ 13.68	$ 13.05
Weighted Average Common Shares Outstanding			3,404,367	3,404,367
Common Shares Outstanding period end			3,404,367	3,404,367
Allowance for Loan Losses to period end Loans			0.93%	1.14%
Non-Performing Loans to period end Loans[3]			2.16%	2.18%
Non-Performing Assets to Total Assets[4]			1.93%	1.94%

1) Common Equity per common share
2) Tangible common equity per common share
3) Non-performing loans consist of non-accrual loans and restructured loans, where applicable. Inclusive of any guaranteed portion of non-accrual loans.
4) Non-performing assets consist of non-accrual loans, restructured loans, and foreclosed assets, where applicable. Inclusive of any guaranteed portion of non-accrual loans.



SHAREHOLDER INFORMATION

SHAREHOLDER RELATIONS

Katahdin Bankshares Corp. and Katahdin Trust Company welcome shareholder and public interest in our services and activities. Questions or comments pertaining to this report and requests for other information should be directed to:

Matthew M Nightingale
Senior Vice President, Treasurer & CFO
PO Box 450 | Patten, ME 04765
(207) 521-3200
m.nightingale@katahdintrust.com

STOCK

Katahdin Bankshares Corp. stock is quoted on the OTC Markets quote board OTCQX under the symbol KTHN. Current stock information can be found at www.otcmarkets.com/stock/KTHN/quote.

TRANSFER AGENT

Shareholder inquiries regarding change of address or title should be directed to:

INVESTOR RELATIONS

Computershare Shareholder Services
PO Box 30170 | College Station, TX 77842-3170
(800) 368-5948 | www.computershare.com/investor

Katahdin Bankshares Corp.