



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Katahdin Bankshares Corp. / Katahdin Trust Company

Person to be contacted regarding this report:	Matthew M. Nightingale
UST Sequence Number:	472
CPP Funds Received:	10,449,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jan 30, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1140127
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	12874
City:	Patten
State:	Maine

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Katahdin Trust Company was able to increase lending in 2009, in part due to its stronger capital position following receipt of \$10.449 million of CPP funds. Loans as of December 31, 2009 were \$33.5 million higher than at December 31, 2008, an increase of 9.4%.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The primary area of increased credit extension was to small businesses, throughout our service area.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The Bank has used the new capital to support increased lending, without further leveraging these funds.

What actions were you able to avoid because of the capital infusion of CPP funds?

Without this additional capital infusion, the Bank likely would have capped its loan growth at \$5-\$10 million for 2009 in order to build capital reserves. Instead Katahdin Trust Company was able to support loan growth of more than \$33 million in 2009, as compared to year-end 2008.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

With the CPP funds and continued strong earnings, Katahdin Trust Company was able to build its capacity to lend into the communities it serves, which is especially important in challenging economic times. This additional capital also places the Bank in a stronger position to weather future developments in the event of a prolonged economic downturn.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

N/A

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.