

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Katahdin Bankshares Corp. / Katahdin Trust Company

Point of Contact:	Matthew M. Nightingale	RSSD: (For Bank Holding Companies)	1140127
UST Sequence Number:	472	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,449,000	FDIC Certificate Number: (For Depository Institutions)	12874
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 30, 2009	City:	Patten
Date Repaid ¹ :	N/A	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) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI 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/CDCI investment was deployed or how many CPP/CDCI 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/CDCI 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/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Katahdin Trust Company was able to increase lending in 2010, in part due to its stronger capital position following receipt of \$10.449 million of CPP funds. Loans as of 12-31-2010 were \$16.7 million higher than at 12-31-2009, an increase of 4.3% and over 12-31-2008 by \$50.2 million.

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.

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Increase securities purchased (ABS, MBS, etc.).

Make other investments.

Increase reserves for non-performing assets.

Reduce borrowings.

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Increase charge-offs.

Empty response box for 'Increase charge-offs.'

Purchase another financial institution or purchase assets from another financial institution.

Empty response box for 'Purchase another financial institution or purchase assets from another financial institution.'

Held as non-leveraged increase to total capital.

Solid bank earnings coupled with the increased CPP Capital have allowed the bank to grow by extending credit, yet leverage ratios have not dropped very significantly.

Empty response box for 'Held as non-leveraged increase to total capital.'

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What actions were you able to avoid because of the capital infusion of CPP/CDCI 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 while 2010 loan growth may have been impacted as well. Instead Katahdin Trust Company was able to support loan growth of more than \$50 million throughout 2009 and 2010, as compared to year-end 2008.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI 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 placed the Bank in a stronger position to weather economic downturns.

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

N/A