BANGOR BANCORP, MHC AND ITS SUBSIDIARY

BANGOR SAVINGS BANK

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

Bangor Savings Bank

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Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
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March 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bangor Bancorp, MHC

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated financial statements of Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank (the Company), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of income, comprehensive loss, changes in capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

We also have audited the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) (call report instructions), as of March 31, 2023, based on criteria established in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2023, based on criteria established in the Internal Control—Integrated Framework issued by COSO.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control over Financial Reporting.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the consolidated financial statement audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S GAAP. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act, our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with U.S. GAAP and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matter

We did not perform auditing procedures on Management's Assessment of Compliance with Designated Laws and Regulations, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control over Financial Reporting, and accordingly, we do not express an opinion or provide any assurance on it.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 12, 2023

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Balance Sheets
March 31, 2023 and 2022

(in thousands of dollars)	2023	2022
Assets		
Cash and due from banks	$ 226,478	$ 66,494
Investment securities available for sale at fair value (amortized cost of $2,157,735 and $2,521,920, respectively)	1,877,530	2,370,474
Equity securities	11,366	12,130
Federal Home Loan Bank of Boston stock	6,319	7,135
Loans	4,709,890	3,977,241
Less allowance for loan losses	36,799	49,829
Net loans	4,673,091	3,927,412
Premises and equipment, net	215,678	203,939
Bank owned life insurance	132,475	121,587
Goodwill	71,851	71,851
Other assets	195,354	132,344
Total assets	**$ 7,410,142**	**$ 6,913,366**
Liabilities and capital		
Liabilities		
Deposits	$ 5,895,899	$ 5,754,993
Borrowed funds	1,002,506	632,031
Other liabilities	119,635	75,929
Total liabilities	**7,018,040**	**6,462,953**
Capital		
Retained earnings	611,754	569,779
Accumulated other comprehensive loss	(219,652)	(119,366)
Total capital	**392,102**	**450,413**
Total liabilities and capital	**$ 7,410,142**	**$ 6,913,366**

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Income
Years Ended March 31, 2023 and 2022

(in thousands of dollars)	2023	2022
Interest and dividend income		
Interest on loans	$ 170,576	$ 145,397
Interest and dividends on investment securities	39,701	34,547
Total interest and dividend income	**210,277**	**179,944**
Interest expense		
Interest on deposits	31,766	7,713
Interest on borrowed funds	16,029	1,070
Total interest expense	**47,795**	**8,783**
Net interest income	**162,482**	**171,161**
Reduction in loan losses	**(11,500)**	**-**
Net interest income after reduction in loan losses	**173,982**	**171,161**
Non-interest income		
Card services	24,619	23,221
Payroll services	12,848	11,622
Deposit and branch services	9,396	9,741
Wealth management services	8,886	9,285
Bank owned life insurance	4,986	2,860
Mortgage sales	3,217	15,867
Loan services	3,043	3,566
Other fees and income	4,933	1,977
Total non-interest income	**71,928**	**78,139**
Net (loss) gain on sales of investment securities	**(3,968)**	**48**
Non-interest expense		
Compensation and benefits	112,328	115,229
Occupancy and equipment	24,703	22,505
Data and card processing	20,087	16,436
Community support and marketing	6,490	5,728
Regulatory assessments	4,048	3,230
Customer ATM rebates	3,694	3,662
Other expenses	18,984	20,053
Total non-interest expense	**190,334**	**186,843**
Income before income tax expense	**51,608**	**62,505**
Income tax expense	**9,633**	**12,668**
Net income	**$ 41,975**	**$ 49,837**

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Comprehensive Loss
Years Ended March 31, 2023 and 2022

(in thousands of dollars)	**2023**	**2022**
Net income	$ 41,975	$ 49,837
Other comprehensive (loss) income :		
Unrealized losses on securities available for sale:		
Unrealized losses on securities available for sale, net of tax of $27,872 and $32,114, respectively	(104,616)	(120,808)
Reclassification adjustment for realized losses (gains) on securities sold included in net income, net of tax of ($833) and $10, respectively [1]	3,135	(38)
Unrealized gains (losses) on postretirement plans, net of tax of ($13) and $11, respectively	48	(44)
Unrealized gains on interest rate swaps, net of tax of ($305) and ($365), respectively	1,147	1,373
Other comprehensive loss	(100,286)	(119,517)
Total comprehensive loss	$ (58,311)	$ (69,680)

[1] Classified in the consolidated statements of loss in net gain on sales of investment securities.

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Changes in Capital
Years Ended March 31, 2023 and 2022

(in thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2021	$ 519,942	$ 151	$ 520,093
Net income	49,837	-	49,837
Other comprehensive income (loss)			
Unrealized losses on securities available for sale	-	(120,846)	(120,846)
Unrealized losses on postretirement plans	-	(44)	(44)
Unrealized gains on interest rate swaps	-	1,373	1,373
Total comprehensive loss	49,837	(119,517)	(69,680)
Balance, March 31, 2022	569,779	(119,366)	450,413
Net income	41,975	-	41,975
Other comprehensive income (loss)			
Unrealized losses on securities available for sale	-	(101,481)	(101,481)
Unrealized gains on postretirement plans	-	48	48
Unrealized gains on interest rate swaps	-	1,147	1,147
Total comprehensive loss	41,975	(100,286)	(58,311)
Balance, March 31, 2023	$ 611,754	$ (219,652)	$ 392,102

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Cash Flows
Years Ended March 31, 2023 and 2022

(in thousands of dollars)		**2023**		**2022**
Cash flows from operating activities				
Net income	$	41,975	$	49,837
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation of premises and equipment		12,821		11,730
Amortization of intangible assets		286		406
Redcution in loan losses		(11,500)		-
Increase in cash surrender value of bank owned life insurance		(3,187)		(2,860)
Net loss (gain) on sales of investment securities		3,968		(48)
Net recognized loss on equity securities		728		657
Net amortization of premiums on securities available for sale		9,742		10,697
Loans originated for resale		(140,753)		(578,498)
Proceeds from sales of loans		142,839		662,067
Net gain on sale of loans, net of value of servicing rights retained		(2,571)		(4,541)
Net loss on sales of premises and equipment		274		20
Deferred income tax provision		3,741		2,019
Net decrease in other assets		2,385		10,138
Net increase in other liabilities		12,519		1,259
Net cash provided by operating activities		73,267		162,883
Cash flows from investing activities				
Proceeds from sales and calls of securities available for sale		105,119		28,513
Proceeds from sales and calls of equity securities		80		83
Proceeds from maturities and prepayments of securities available for sale		250,109		322,936
Purchases of securities available for sale		(12,932)		(1,168,663)
Net proceeds from redemptions (purchases) of Federal Home Loan Bank of Boston stock		816		(309)
Net increase in loans		(735,323)		(122,614)
Purchases of premises and equipment		(24,838)		(24,253)
Proceeds from sales of premises and equipment		5		-
Purchases of bank owned life insurance		(10,000)		(10,000)
Proceeds from Bank owned life insurance		2,299		-
Contingent consideration paid for business acquisitions		-		(244)
Net cash used by investing activities		(424,665)		(974,551)
Cash flows from financing activities				
Net increase in deposits		140,906		791,076
Net increase in short-term borrowed funds		370,936		23,669
Long-term borrowed funds repaid		(460)		(5,875)
Net cash provided by financing activities		511,382		808,870
Net increase (decrease) in cash and cash equivalents		159,984		(2,798)
Cash and cash equivalents at beginning of year		66,494		69,292
Cash and cash equivalents at end of year	$	226,478	$	66,494
Supplemental disclosures of cash flow information				
Cash paid during the year for				
Interest	$	43,460	$	8,963
Income taxes		7,512		10,344
Noncash investing and financing activities				
Transfer from loans to other real estate owned	$	-	$	4,722
Premises and equipment included in accounts payable		63		89
ROU assets recorded upon adoption of ASU No. 2016-02		21,055		-
Lease liabilities recorded upon adoption of ASU No. 2016-02		(21,055)		-

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

1. Summary of Significant Accounting Policies

Basis of Presentation

Bangor Bancorp, MHC (the Company) is a mutual holding company and the parent of Bangor Savings Bank (the Bank), a wholly-owned Maine-chartered stock universal bank.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP) and to general practice within the banking industry. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany balances and transactions have been eliminated in consolidation. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and income and expenses for the period. Material estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for loan losses (ALL), the value of loan servicing rights, classification of unrealized losses on investment securities, other real estate owned, allocation of consideration in acquisitions, and goodwill and intangible asset valuations.

Business

The Company is subject to supervision and examination by the Board of Governors of the Federal Reserve System (the Federal Reserve). It files reports with the Federal Reserve on a quarterly basis.

The Bank is subject to supervision and examination by the Federal Deposit Insurance Corporation (the FDIC) and the State of Maine Bureau of Financial Institutions. It files reports with the FDIC on a quarterly basis.

The Company provides various services to individuals, including checking, NOW, savings, money market, and time deposit accounts; debit cards; electronic, digital, and mobile banking; secured and unsecured consumer and personal loans; mortgage loans; other credit services; investment management and trust services; brokerage services; and insurance services.

The Company provides various services to businesses and governmental units, including demand, savings, money market, and time deposit accounts; electronic, digital, and mobile banking; merchant card services; payroll services; cash management and payment solution services; investment management and trust services; brokerage services; insurance services; and also originates commercial real estate and other types of commercial and municipal loans.

The Company earns interchange fees from cardholder transactions conducted through a payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

(in thousands of dollars)

The Company's primary market area covers the States of Maine and New Hampshire.

Bangor Wealth Management of New Hampshire, LLC (WM-NH), a wholly-owned subsidiary of the Bank, is a state chartered trust company incorporated in April 2020 and headquartered in Concord, New Hampshire. WM-NH is engaged to act as investment advisor, trustee, and named custodian for customers of the Bank.

The Company earns payroll fees from its contracts with customers to provide payroll services. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services. Fees are generally assessed based on the agreed upon contract of services and fees with the customer.

Cash and Cash Equivalents
The Company's cash and due from bank accounts, at times, may exceed federally insured limits. Pursuant to Regulation F issued by the Federal Reserve, the Company monitors the financial health and capital ratios of all of its correspondent banks and believes it is not exposed to any significant risk on cash and cash equivalents. The Company has not experienced any losses in such accounts to date.

The Company, from time to time, is required to maintain reserves of vault cash or deposits with the Federal Reserve Bank (FRB). There was no reserve requirement as of March 31, 2023 and 2022.

Investment Securities
Debt securities are classified in three categories and accounted for as follows: debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost; debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading and reported at fair value with unrealized gains and losses included in earnings; and debt securities not classified as either held to maturity or trading are classified as available for sale and reported at fair value with unrealized gains and losses excluded from earnings and reported as other comprehensive income (loss), net of tax.

Premiums and discounts on investment securities are amortized or accreted to income over the expected life of the investment using a method that approximates the level yield method. Gains and losses on the sale of securities are recognized on a specific identification basis. For individual debt securities where the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis, the other-than-temporary decline in the fair value of the debt security related to 1) credit loss is recognized in earnings and 2) other factors is recognized in other comprehensive income (loss). Credit loss is deemed to exist if the present value of expected future cash flows is less than the amortized cost basis of the debt security. For individual debt securities where the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security's cost basis and its fair value at the balance sheet date.

Equity securities are carried at estimated fair value with changes in fair value and realized gains and losses reported in non-interest income in the consolidated statements of income.

(in thousands of dollars)

Derivative Instruments and Hedging Activities
The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

At the inception of a derivative contract, the Company designates the derivative as one of two types based on the Company's intentions and belief as to likely effectiveness as a hedge. These two types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings.

Derivative contracts receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Those derivative financial contracts that do not meet the hedging criteria discussed below would be classified as trading activities and would be recorded at fair value with changes in fair value recorded in noninterest income. Derivative contracts must meet specific effectiveness tests (i.e., over time the change in their fair values due to the designated hedge risk must be within 80 to 125% of the opposite change in the fair values of the hedged assets or liabilities). Changes in fair value of the derivative contracts must be effective at offsetting changes in the fair value of the hedged items due to the designated hedge risk during the term of the hedge. Further, if the underlying financial instrument differs from the hedged asset or liability, there must be a clear economic relationship between the prices of the two financial instruments. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivatives contracts would be closed out and settled or classified as a trading activity.

The Company’s objective in using derivatives is to add stability to interest income and to manage its exposure to adverse interest rate movements or other identified risks. To accomplish this objective, the Company periodically uses interest rate caps, floors, and swaps as part of its cash flow hedging strategy. Interest rate caps, floors, and swaps designated as cash flow hedges protect the Company against movements in interest rates above or below the instruments’ strike rates over the life of the agreements. As of March 31, 2023 and 2022, other derivatives that are not designated as cash flow hedges because they do not meet strict hedge accounting requirements are likewise used to manage the Company’s exposure to interest rate movements and other identified risks, and are not speculative. The Company does not use derivatives for trading or speculative purposes.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair

(in thousands of dollars)

value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates.

During the period from the rate lock commitment date to the ultimate sale of the loan, the Company is subject to the risk of interest rate changes. In an effort to mitigate such risk, the Company enters into forward sale commitments in the secondary markets, which are considered to be derivatives. Accordingly, such commitments are recorded at fair value in derivative assets or liabilities, with the changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on quoted market prices for similar instruments in the secondary markets.

Commitments to Extend Credit
In the ordinary course of business, the Company has entered into commitments to extend credit. Except as disclosed above, such financial instruments are recorded in the financial statements when they are funded.

Loans Held for Sale
Residential mortgage loans originated for sale are classified as held for sale. These loans are specifically identified and carried at lower of cost or fair value as of each balance sheet date. The fair value includes the servicing value of the loans as well as any accrued interest. Gains and losses from sales of residential mortgages held for sale are recognized on the trade date and recorded as mortgage sales in non-interest income.

Loans
Loans are reported at their principal amount outstanding, net of any unearned discount or deferred loan fees and costs.

Interest on loans is taken into income using methods which report income earned in relation to the balances of loans outstanding. The accrual of interest income on problem loan accounts ceases when collectability within a reasonable period of time becomes doubtful. Cash payments received on non-accrual loans, which may include impaired loans, are applied to reduce the loan's principal balance until the remaining principal is deemed collectible, after which interest is recognized when collected. Nonaccrual loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the loan have improved to the extent that there no longer exists a concern as to the collectability of principal.

Loan origination fees and certain direct origination costs are deferred and recognized in interest income as an adjustment to the yield over the life of the related loans. The Company amortizes these amounts using the effective yield method. When loans are sold or paid off, the remaining unamortized fees and costs are transferred to interest income.

Allowance for Loan Losses
The ALL is maintained at a level determined to be adequate by management to absorb future charge-offs of loans previously deemed partially or wholly uncollectible. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

(in thousands of dollars)

Arriving at an appropriate level of ALL necessarily involves a high degree of judgment. The main considerations in this evaluation are prior loan loss experience, the characteristics and size of the loan portfolio, business and economic conditions and trends in loan delinquencies, and net charge-offs. Although management uses available information to establish the ALL on loans, future additions to the allowance may be necessary based on estimates that are susceptible to significant change as a result of changes in economic conditions and other factors. In addition, periodic review of the Company's ALL is performed by various regulatory agencies as part of their examination process. These agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Impaired loans are commercial, commercial real estate, and individually significant residential mortgage and consumer loans for which it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more. Loans less than 90 days delinquent are deemed to have an insignificant delay in payment and are generally not considered impaired based on their delinquent status. Loans more than 30 days past due are considered delinquent. Creditors are generally required to account for impaired loans, except those loans that are accounted for at fair value or at lower of cost or fair value, at the present value of the expected future cash flows discounted at the loan's effective interest rate or the fair market value of collateral. If appropriate, a valuation reserve is established to recognize the difference between the recorded investment and the present value. Impairment of troubled debt restructurings is measured using the rate of interest of the original loan.

Purchased credit-impaired loans are initially carried at fair value with no ALL. The estimated fair value contains both accretable and nonaccretable components. The accretable component is amortized as an adjustment to the related loan yield over the average life of the loan. The nonaccretable component represents a probable loss due to credit risk and is reviewed by management periodically and adjusted as deemed necessary to reflect changes in the present value of expected cash flows. If the present value of expected cash flows is less than the carrying amount, a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Premises and Equipment
Premises and equipment are stated at cost less accumulated depreciation. Buildings, leasehold improvements, equipment, and furniture and fixtures are depreciated under the straight-line method over the estimated lives of the assets.

Expenditures for premises, equipment, renewals, and betterments that extend the useful life of assets are capitalized. Expenditures for maintenance and repairs are charged to expense. When items are disposed, the cost and accumulated depreciation are eliminated and gains or losses are included in income.

Bank Owned Life Insurance (BOLI)
BOLI represents life insurance on the lives of certain employees who have provided positive consent allowing the Company to be the primary beneficiary of such policies. Increases in the cash value of the policies, net of insurance costs, as well as net insurance proceeds received, are recorded in non-interest income, and are not subject to income taxes.

(in thousands of dollars)

Goodwill
In connection with acquisitions of other companies, the Company records as an asset on its financial statements goodwill, an intangible asset which is equal to the excess of the purchase price which it pays for another company over the estimated fair value of the net assets acquired. The Company records any other acquired intangible asset apart from goodwill if that asset arises from contractual or other legal rights. The Company does not amortize goodwill, but rather tests it for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Intangible Assets
The Company records acquired intangible assets (other than goodwill) with finite lives as an asset on its financial statements. These intangible assets include customer relationships acquired in connection with the acquisition of other companies. The value of identifiable intangible assets is determined using historical financial results, estimated valuation multiple factors, and other management estimates, all of which are subject to change based on changes in economic conditions and other factors. Intangible assets are amortized to expense under the straight-line method over their estimated economic useful lives ranging from 5 to 15 years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Loan Servicing Rights
Loan servicing rights are initially recorded at fair value and amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of loan servicing rights is assessed based on the fair value of those rights. Fair values are estimated using a discounted cash flow model based on a current market interest rate. For purposes of measuring impairment, the rights are stratified by institutional investor, and valued taking into consideration the following predominant risk characteristics of the underlying loans: interest rate, term, period of origination, and prepayment speed. The most recent valuation model utilizes a discount rate of 12% and prepayment assumptions based on Bloomberg long-term projections as of March 31, 2023. The amount of impairment recognized is the amount by which the capitalized loan servicing rights for a stratum exceed their fair value.

Other Real Estate Owned (OREO)
OREO is comprised of properties or other assets acquired through (1) foreclosure proceedings, or (2) acceptance of a deed or title in lieu of foreclosure. OREO is initially recorded at fair value of the collateral less estimated costs to sell. Losses arising from the acquisition of such properties are charged against the ALL. Expenses incurred in connection with maintaining these assets, subsequent write-downs, and gains or losses recognized upon sale are included in non-interest income or non-interest expense.

Securities Sold Under Agreements to Repurchase
Securities sold under agreements to repurchase are treated as collateralized financing transactions and are reported at the amounts at which the securities will be subsequently repurchased, plus accrued interest. The value of securities is monitored, and additional collateral may be pledged when considered appropriate to protect Company creditors against credit exposure.

(in thousands of dollars)

Income Taxes
The Company recognizes taxes under the asset and liability method of accounting. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company releases income tax effects from accumulated other comprehensive income (loss) when the associated transaction is recognized in earnings.

Postretirement Benefits
The Company accrues for postretirement benefits other than pensions during the years that employees render service, instead of when benefits are paid.

Consolidated Statements of Cash Flows
For purposes of the consolidated statements of cash flows, the Company considers cash on hand, amounts due from banks, federal funds sold, and other short-term investments as cash and cash equivalents. Generally, federal funds are purchased and sold for one-day periods.

Legal Contingencies
Various legal claims may arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements
In February 2016, the FASB issued ASU No. 2016-02, "*Leases* (Topic 842)." The ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU No. 2020-05, which delays the effective date of this ASU to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company adopted this ASU effective April 1, 2022, and it did not have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments-Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*." Under the new guidance, which will replace the existing incurred loss model of recognizing credit losses, banks and other lending institutions will be required to recognize the full amount of expected credit losses. The new guidance, which is referred to as the current expected credit loss model, requires that expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses. A modified version of these requirements also applies to debt securities classified as available for sale. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating the potential impact of the ASU on its consolidated financial statements and anticipates the ASU may have a material impact. Upon implementation on April 1, 2023, the Company will record all necessary journal entries and related processes, procedures, and policies will

(in thousands of dollars)

be updated. Assessment of the impact of adopting this standard is still in process and the Company anticipates having the new guidance fully adopted by June 30, 2023.

In July 2018, the FASB issued ASU No. 2018-11, "*Leases – Targeted Improvements*," to provide entities with relief from the costs of implementing certain aspects of the new leasing standard, ASU No. 2016-02. Specifically, under the amendments in this ASU: (1) entities may elect not to recast the comparative periods presented when transitioning to the new leasing standard, and (2) lessors may elect not to separate lease and non-lease components when certain conditions are met. The amendments have the same effective date as ASU No. 2020-05. The Company adopted this ASU in conjunction with ASU No. 2020-05 effective April 1, 2022, and it did not have a material effect on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "*Reference Rate Reform* (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*" This ASU provides temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Inter-Bank Offering Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as Secured Overnight Financing Rate (SOFR). For instance, companies can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. A company that makes this election would not have to re-measure the contracts at the modification date or reassess a previous accounting determination. Companies can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met. Finally, companies can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. This ASU is effective for all entities as of March 12, 2020 through December 31, 2022. The FASB included a sunset provision within Topic 848 based on the expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. At the time that ASU 2020-04 was issued, the UK Financial Conduct Authority (FCA) had established its intent that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022, 12 months after expected cessation date of all currencies and tenors of LIBOR. In March 2021, the FCA announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. Because the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place, the amendments in ASU No. 2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* issued in December 2022 defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Company is currently evaluating all of its contracts, hedging relationships, and other transactions that will be affected by rates that are being discontinued and determining which elections need to be made.

In March 2022, the FASB issued ASU No. 2022-02, "*Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*", which eliminates the accounting guidance for troubled debt restructurings, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. ASU No. 2022-02 is effective for fiscal years, and interim periods within those fiscal years, beginning

(in thousands of dollars)

after December 15, 2022. ASU No. 2022-02 is not expected to have a material impact on the Company's consolidated financial statements.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Company has considered transactions or events occurring through June 12, 2023, which was the date the financial statements were available to be issued.

2. Investment Securities

A summary of investment securities available for sale as of March 31, 2023, follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government and government sponsored enterprise (GSE) obligations				
Maturing within 1 year	$ -	$ -	$ -	$ -
Maturing after 1 year but within 5 years	151,681	-	(15,423)	136,258
Maturing after 5 years but within 10 years	65,563	-	(12,295)	53,268
Maturing after 10 years but within 20 years	4,915	-	(1,168)	3,747
Other bonds and obligations				
Maturing within 1 year	2,671	1	(4)	2,668
Maturing after 1 year but within 5 years	83,581	91	(5,457)	78,215
Maturing after 5 years but within 10 years	65,807	-	(9,608)	56,199
Maturing after 10 years but within 20 years	27,529	3	(4,262)	23,270
Mortgage-backed securities				
Government and GSE issued and guaranteed	1,755,988	106	(232,189)	1,523,905
	$ 2,157,735	$ 201	$ (280,406)	$ 1,877,530

The amortized cost and fair value of debt securities are shown by contractual maturity. Issuers may have the right to call or prepay obligations with or without call or prepayment penalties. This right may cause actual maturities to differ from the contractual maturities summarized above. As of March 31, 2023, the amortized cost of the Company's investment securities with call or prepayment features was $1,962,965. Actual maturities may differ from contractual maturities on agency MBS because the mortgages underlying the securities may be prepaid, usually without any penalties. Therefore, these agency MBS are shown separately and not included in the contractual maturity categories in the above maturity summary.

Within the available for sale investment securities portfolio, net proceeds from the sales and calls of investment securities for the year ended March 31, 2023, were $105,119. The resulting realized gains and losses for the year ended March 31, 2023, were $0 and $3,968, respectively.

As of March 31, 2023, securities with an amortized cost of $1,469,917 were pledged to secure borrowed funds, public deposits, and for other purposes as compared with $914,375 as of March 31, 2022.

(in thousands of dollars)

As of March 31, 2023, investments with unrealized losses and the length of time they have been in a continuous loss position are as follows:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and GSE obligations	$ -	$ -	$ 193,272	$ (28,886)
Other bonds and obligations	32,961	(2,596)	107,989	(16,735)
Mortgage-backed securities	74,305	(2,410)	1,433,186	(229,779)
	$ 107,266	$ (5,006)	$ 1,734,447	$ (275,400)

The aggregate decline in the market value of these securities has been deemed temporary due to factors supporting the recoverability of the respective investments. Factors considered include changes in market interest rates, credit ratings, overall financial health of the investee and other pertinent information.

A summary of investment securities available for sale as of March 31, 2022, follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government and GSE obligations				
Maturing within 1 year	$ -	$ -	$ -	$ -
Maturing after 1 year but within 5 years	137,651	-	(8,223)	129,428
Maturing after 5 years but within 10 years	99,720	-	(11,189)	88,531
Maturing after 10 years but within 20 years	4,907	-	(709)	4,198
Other bonds and obligations				
Maturing within 1 year	5,095	13	-	5,108
Maturing after 1 year but within 5 years	72,270	165	(3,117)	69,318
Maturing after 5 years but within 10 years	72,195	294	(3,550)	68,939
Maturing after 10 years but within 20 years	35,499	49	(3,053)	32,495
Mortgage-backed securities				
Government and GSE issued and guaranteed	2,094,583	2,642	(124,768)	1,972,457
	$ 2,521,920	$ 3,163	$ (154,609)	$ 2,370,474

Within the available for sale investment securities portfolio, net proceeds from the sales and calls of investment securities for the year ended March 31, 2022, were $28,513. The resulting realized gains and losses for the year ended March 31, 2022, were $50 and $2, respectively.

As of March 31, 2022, investments with unrealized losses and the length of time they have been in a continuous loss position are as follows:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and GSE obligations	$ 117,814	$ (7,281)	$ 104,343	$ (12,839)
Other bonds and obligations	127,371	(7,410)	15,543	(2,310)
Mortgage-backed securities	1,269,320	(69,783)	485,227	(54,986)
	$ 1,514,505	$ (84,474)	$ 605,113	$ (70,135)

(in thousands of dollars)

The aggregate decline in the market value of these securities has been deemed temporary due to factors supporting the recoverability of the respective investments. Factors considered include changes in market interest rates, credit ratings, overall financial health of the investee, and other pertinent information.

3. Loans

A summary of the composition of the loan portfolio as of March 31 follows:

	2023	2022
Residential real estate	$ 2,147,878	$ 1,665,672
Commercial real estate	1,446,847	1,363,467
Commercial	606,014	512,656
Consumer installment	31,799	31,547
Consumer revolving	479,674	406,764
Total loans	4,712,212	3,980,106
Net deferred fees	(2,322)	(2,865)
	$ 4,709,890	$ 3,977,241

The Company grants residential, commercial, and consumer loans to customers located primarily throughout Maine and New Hampshire. Collateral on these loans typically consists of residential or commercial real estate, or personal property. Although the loan portfolio is diversified, the ability of the Company's customers to honor their contracts is largely dependent on economic conditions in the area, especially in the real estate sector.

Certain trustees and officers of the Company, including their related interests, are borrowers of the Company. Such loans are made in the ordinary course of business at the Company's normal credit terms, including interest rates and collateralization.

An analysis of aggregate loan activity to these related parties for the years ended March 31 follows:

	2023	2022
Beginning balance	$ 52,550	$ 47,807
Loans made/advanced and additions	567	9,379
Repayments and reductions	(3,627)	(4,636)
Ending balance	$ 49,490	$ 52,550

As of March 31, 2023, all loans to related parties were performing in accordance with their contractual terms.

(in thousands of dollars)

Information on the past-due status of loans as of March 31, 2023, is presented in the following table:

	30 - 59 days Past Due	60 - 89 days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing	Non-Accrual Loans
Residential real estate	$ 3,311	$ 441	$ 111	$ 3,864	$ 2,144,014	$ 2,147,878	$ -	$ 613
Commercial real estate	347	-	122	469	1,446,378	1,446,847	-	1,328
Commercial	292	212	110	614	605,401	606,014	-	614
Consumer installment	112	3	9	124	31,675	31,799	-	7
Consumer revolving	591	155	89	835	478,839	479,674	-	89
Total	$ 4,653	$ 811	$ 441	$ 5,906	$ 4,706,307	$ 4,712,212	$ -	$ 2,651

Information on the past-due status of loans as of March 31, 2022, is presented in the following table:

	30 - 59 days Past Due	60 - 89 days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing	Non-Accrual Loans
Residential real estate	$ 2,342	$ 245	$ 307	$ 2,894	$ 1,662,778	$ 1,665,672	$ -	$ 873
Commercial real estate	293	-	960	1,253	1,362,214	1,363,467	-	2,210
Commercial	273	32	128	433	512,223	512,656	-	748
Consumer installment	92	11	21	124	31,423	31,547	-	24
Consumer revolving	440	42	657	1,139	405,624	406,764	-	1,123
Total	$ 3,440	$ 330	$ 2,073	$ 5,843	$ 3,974,262	$ 3,980,106	$ -	$ 4,978

A breakdown of impaired loans by category as of March 31, 2023, follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With recorded allowance					
Residential real estate	$ 856	$ 906	$ 105	$ 936	$ 35
Commercial real estate	367	383	53	283	-
Commercial	322	358	174	1,053	-
Consumer installment	163	163	31	157	8
Consumer revolving	130	130	19	175	-
Ending balance	1,838	1,940	382	2,604	43
With no recorded allowance					
Residential real estate	1,628	2,030	-	1,751	79
Commercial real estate	1,522	1,728	-	1,497	108
Commercial	3,983	4,137	-	2,798	234
Consumer installment	97	97	-	157	9
Consumer revolving	367	602	-	345	-
Ending balance	7,597	8,594	-	6,548	430
Total impaired loans	$ 9,435	$ 10,534	$ 382	$ 9,152	$ 473

(in thousands of dollars)

A breakdown of impaired loans by category as of March 31, 2022, follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With recorded allowance					
Residential real estate	$ 873	$ 926	$ 107	$ 873	$ 40
Commercial real estate	807	904	653	562	-
Commercial	477	615	324	1,236	40
Consumer installment	158	158	110	160	4
Consumer revolving	138	137	6	167	-
Ending balance	2,453	2,740	1,200	2,998	84
With no recorded allowance					
Residential real estate	2,431	2,828	-	2,569	116
Commercial real estate	1,448	2,307	-	2,808	66
Commercial	2,813	2,990	-	2,508	193
Consumer revolving	548	769	-	442	14
Ending balance	7,240	8,894	-	8,327	389
Total impaired loans	$ 9,693	$ 11,634	$ 1,200	$ 11,325	$ 473

As of March 31, 2023 and 2022, there were 4 and 3 loans, respectively, collateralized by residential real estate in the process of foreclosure with a total balance of $211 and $76, respectively.

4. Allowance for Loan Losses

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as Substandard or Doubtful and are impaired. An allowance is established when the discounted cash flows or collateral value of the impaired loan is less than the carrying value of that loan. The general component covers classified loans based on a thirty-six month rolling historical loss experience and non-classified loans, both adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses and reflects the margin of imprecision inherent in the underlying assumptions used to estimate specific and general losses in the portfolio.

The qualitative factors are determined based on the various risk characteristics of each portfolio segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate: All loans in this segment are collateralized by owner occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing price, will have an effect of the credit quality of this segment.

Commercial real estate: Loans in this segment are primarily income producing properties or properties occupied by businesses. The underlying cash flows generated by the properties are

(in thousands of dollars)

adversely impacted by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis at least and continually monitors the cash flows of these loans.

Commercial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and a resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer: Repayment of the loans in this segment is generally dependent on the credit quality of the individual borrower.

The following table presents the activity in the ALL and select loan information by portfolio segment for the year ended March 31, 2023:

ALL:	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Unallocated	Total
Beginning balance	$ 14,993	$ 21,012	$ 6,810	$ 668	$ 3,775	$ 2,571	$ 49,829
Loans charged off	-	(2,045)	(13)	(465)	(230)	-	(2,753)
Recoveries	72	155	621	264	111	-	1,223
Provision (credit) for loan and credit losses	(1,135)	(7,845)	(5,074)	1	645	1,908	(11,500)
Ending balance	13,930	11,277	2,344	468	4,301	4,479	36,799
Ending balance: Individually evaluated for impairment	105	53	174	31	19	-	382
Ending balance: Collectively evaluated for impairment	13,825	11,224	2,170	437	4,282	4,479	36,417
Loans:							
Ending balance: Individually evaluated for impairment	2,484	1,889	4,304	260	497	-	9,434
Ending balance: Collectively evaluated for impairment	2,112,898	1,385,195	596,846	28,380	472,082	-	4,595,401
Ending balance: Acquired loans	32,496	59,763	4,864	3,159	7,095	-	107,377
Loans ending balance:	$ 2,147,878	$ 1,446,847	$ 606,014	$ 31,799	$ 479,674	$ -	$ 4,712,212

(in thousands of dollars)

The following table presents the activity in the ALL and select loan information by portfolio segment for the year ended March 31, 2022:

ALL:	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Unallocated	Total
Beginning balance	$ 11,820	$ 20,273	$ 7,385	$ 844	$ 3,861	$ 4,553	$ 48,736
Loans charged off	(21)	-	(432)	(405)	(77)	-	(935)
Recoveries	146	1,020	440	249	173	-	2,028
Provision (credit) for loan and credit losses	3,048	(282)	(582)	(20)	(182)	(1,982)	-
Ending balance	14,993	21,011	6,811	668	3,775	2,571	49,829
Ending balance: Individually evaluated for impairment	107	653	324	110	6	-	1,200
Ending balance: Collectively evaluated for impairment	14,886	20,358	6,487	558	3,769	2,571	48,629
Loans:							
Ending balance: Individually evaluated for impairment	3,304	2,255	3,290	158	686	-	9,693
Ending balance: Collectively evaluated for impairment	1,625,173	1,297,565	492,973	27,449	398,481	-	3,841,641
Ending balance: Acquired loans	37,195	63,647	16,393	3,940	7,597	-	128,772
Loans ending balance:	$ 1,665,672	$ 1,363,467	$ 512,656	$ 31,547	$ 406,764	$ -	$ 3,980,106

Risk Characteristics
The Company focuses on maintaining a well-balanced and diversified loan portfolio. Despite such efforts, it is recognized that credit concentrations may occasionally emerge as a result of economic conditions, changes in demand, loan growth, and runoff. To ensure that credit concentrations can be identified and monitored, all loans are assigned North American Industry Classification System Codes, and state and county codes. Shifts in concentrations are monitored by management.

To further identify loans with similar risk profiles, the Company categorizes each portfolio segment into classes by credit risk characteristic and applies a risk rating. Residential real estate consists primarily of conventional, first mortgages on residential properties in Maine, New Hampshire, and Massachusetts. The Company strives to underwrite all residential mortgage loans to secondary market standards. Commercial real estate is comprised of loans to Maine and New Hampshire businesses, primarily collateralized by owner-occupied real estate, while Commercial is primarily comprised of loans to Maine and New Hampshire businesses collateralized by accounts receivable, inventory, equipment, and other non-real estate assets. Commercial real estate loans typically have a maximum loan-to-value of 80% based upon current appraisal values at the time the loan is made. Consumer loans (installment and revolving) consist primarily of home equity lines of credit and loans on residential properties in Maine and New Hampshire.

The process of establishing the allowance for the Commercial portfolios begins when a loan officer initially assigns each loan a risk rating, using established credit criteria. Approximately 63% of

(in thousands of dollars)

Commercial outstandings and commitments are subject to review and validation annually by an independent consulting firm as well as periodically by the Company's loan committees and credit review function. The process of establishing the allowance for Residential and Consumer portfolios begins at origination when a risk rating is assigned based on the general characteristics of the loan. Risk ratings are changed in accordance with borrower performance, considering the impact of current and anticipated economic conditions on the borrower's overall financial condition considering the types of borrowers and/or lines of business. In determining the ability to collect certain loans, the Company considers the fair value of underlying collateral.

Risk ratings are assigned for all loans. Risk ratings are specifically used to provide a risk profile of the loan portfolio to identify trends, the relative levels of risk, and to support the development of strategic initiatives related to credit risk; to identify deteriorating loans, lending relationships and/or industries; and to reflect the probability that a specific loan customer may default on its obligation. The Company uses the following definitions when assessing risk:

1 Superior
Credits rated "1" are characterized by borrowers fully responsible for the loans with superior capacity to pay principal and interest. Loans rated "1" are typically secured by properly margined liquid collateral.

2 Excellent
Credits rated "2" are characterized by borrowers with strong capacity to pay principal and interest. Borrowers have strong levels of liquidity, earnings, and cash flow and consistent records of strong performance.

3 Very Good
Credits rated "3" are characterized by borrowers that exhibit very good credit strength and capacity to pay principal and interest.

4 Above Average
Credits rated "4" demonstrate above average credit strength with better than average and stable repayment sources.

5 Average
Credits rated "5" represent borrowers of more risk than loans rated 1-4, but borrowers that are considered average risk based on general credit worthiness.

6 Acceptable
Credits rated "6" represent borrowers that are generally acceptable but do not qualify for more favorable risk ratings. Borrowers may be more susceptible to adverse economic trends and cash flow is generally adequate to pay debt service.

7 Special Mention
Credits rated "7" represent loans of increasing risk that have developed a degree of uncertainty, expected to be temporary, but are potentially weak if the circumstances are not improved or the situation corrected.

8 Substandard
Loans in this category have a well-defined weakness such as deficit cash flow or operating losses that have affected, or may affect, the paying capacity of the borrower. Payment in full may rely on

(in thousands of dollars)

secondary repayment sources such as collateral liquidation or guarantor and the Company may incur some loss in the future if circumstances are not improved.

9 Doubtful
Loans in this category have the same weaknesses as those classified Substandard but collection in full is highly improbable based on current facts and circumstances. The probability of loss is high but because of certain important and specific pending factors that may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

The following table summarizes the risk ratings for the loan portfolio by portfolio segment, as of March 31, 2023:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	$ 2,138,560	$ 1,427,580	$ 590,685	$ 31,431	$ 477,449	$ 4,665,705
Special mention (Grade 7)	2,833	3,545	6,136	90	651	13,255
Substandard (Grade 8)	6,485	15,722	9,190	278	1,574	33,249
Doubtful (Grade 9)	-	-	3	-	-	3
Total	$ 2,147,878	$ 1,446,847	$ 606,014	$ 31,799	$ 479,674	$ 4,712,212

The following table summarizes the risk ratings for the loan portfolio by portfolio segment, as of March 31, 2022:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	$ 1,657,438	$ 1,323,641	$ 497,539	$ 31,122	$ 403,622	$ 3,913,362
Special mention (Grade 7)	2,395	23,574	6,431	31	1,160	33,591
Substandard (Grade 8)	5,839	16,252	8,678	394	1,982	33,145
Doubtful (Grade 9)	-	-	8	-	-	8
Total	$ 1,665,672	$ 1,363,467	$ 512,656	$ 31,547	$ 406,764	$ 3,980,106

The Company works proactively with borrowers experiencing financial difficulty to assist with loan repayments, accommodations, or modifications. In certain instances, the Company extends a troubled debt restructure (TDR) where the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan should be characterized as a TDR, management evaluates the circumstances of the loan by considering: past due status with any of its debt; whether the borrower has declared, or is in the process of declaring bankruptcy; if there is doubt that the borrower will continue as a "going concern"; and/or if the borrower is unable to refinance with another lender, and after consideration of these factors, grants a concession. Common types of concessions include maturity date extensions, payment deferral, and/or interest rate adjustment to below market pricing. Once a loan has been restructured as a TDR, it remains a restructured loan until paid in full. The Company applies the same interest accrual policy to TDRs as it does for all classes of loans. TDRs involve modifications or a reduction of either interest or principal.

(in thousands of dollars)

The following table summarizes TDRs as of March 31, 2023:

	Number of Contracts	Current Balance	Specific Reserves
Residential real estate	28	$ 2,484	$ 105
Commercial real estate	6	561	-
Commercial	10	3,603	-
Consumer installment	6	260	31
Consumer revolving	10	497	19
Total	60	$ 7,405	$ 155

The following table summarizes TDRs as of March 31, 2022:

	Number of Contracts	Current Balance	Specific Reserves
Residential real estate	32	$ 3,216	$ 107
Commercial real estate	11	1,592	102
Commercial	9	2,226	15
Consumer installment	5	259	110
Consumer revolving	13	646	6
Total	70	$ 7,939	$ 340

The following table shows loans placed on TDR status during the year ended March 31, 2023, by loan segment and the associated specific reserve included in the allowance for loan losses:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Commercial real estate	1	$ 142	$ 142	$ 138	$ -
Commercial	3	15	16	11	-
Consumer revolving	1	9	10	8	-
Total	5	$ 166	$ 168	$ 157	$ -

(in thousands of dollars)

The following table shows loans placed on TDR status during the year ended March 31, 2022, by loan segment and the associated specific reserve included in the allowance for loan losses:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Residential real estate	3	$ 539	$ 542	$ 537	$ 50
Commercial real estate	5	766	828	605	-
Commercial	2	974	974	967	-
Consumer revolving	2	155	155	150	-
Total	12	$ 2,434	$ 2,499	$ 2,259	$ 50

The following table shows TDR loans that defaulted during the year ended March 31, 2023, that were modified as TDRs within the 12 months prior to the payment default:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Residential real estate	1	$ 21	$ 21	$ 15	$ -
Commercial real estate	1	139	139	141	-
Total	2	$ 160	$ 160	$ 156	$ -

The following table shows a TDR loan that defaulted during the year ended March 31, 2022, that was modified as a TDR within the 12 months prior to the payment default:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Commercial real estate	1	$ 238	$ 238	$ 53	$ -
Commercial	1	25	25	20	-
Total	2	$ 263	$ 263	$ 73	$ -

(in thousands of dollars)

5. Loan Servicing

The components of capitalized loan servicing rights as of March 31 are as follows:

	2023	2022
Beginning balance	$ 6,002	$ 5,565
Net additions	902	1,706
Amortization	(958)	(1,269)
Ending balance	$ 5,946	$ 6,002

Loans serviced for others are not included on the accompanying consolidated balance sheets of the Company. The unpaid principal balance of loans serviced for others was $857,130 and $847,976 as of March 31, 2023 and 2022, respectively.

Custodial escrow balances, including those maintained in connection with the foregoing loan servicing, were $6,609 and $5,866 as of March 31, 2023 and 2022, respectively, and are included in savings accounts.

6. Premises and Equipment

Premises and equipment consists of the following as of March 31:

	2023	2022
Land	$ 19,183	$ 16,390
Premises	184,527	181,497
Furniture and equipment	64,482	56,180
Leasehold improvements	7,771	7,303
Construction-in-progress	27,355	18,929
Total premises and equipment	303,318	280,299
Less accumulated depreciation	87,640	76,360
	$ 215,678	$ 203,939

7. Lease Commitments

The Company is obligated under a number of non-cancelable operating leases for branch and operations locations. Total rent expense incurred under all operating leases for the years ended March 31, 2023 and 2022, was $1,646 and $1,734, respectively.

The Company enters into operating leases in the normal course of business primarily for financial centers, back-office operations, locations, and information technology equipment. These leases have remaining lease terms of approximately 1 to approximately 27 years, some of which include renewal or termination options. The Company does not have any significant subleases nor finance leases.

(in thousands of dollars)

The following table summarizes the Company's right of use assets and lease liabilities as of March 31:

	2023
Right of use assets	$ 20,824
Lease liabilities	(21,055)

There was no ROU lease impairment for the year ended March 31, 2023.

Operating lease cost for the year ended March 31, 2023 totaled $1,877. Cash paid for amounts included in the measurement of lease liabilities totaled $1,645.

Lease Obligations:

Future undiscounted lease payments for operating leases with initial terms of one year or more as of March 31, 2023 are as follows:

2024	$ 1,601
2025	1,631
2026	1,652
2027	1,578
2028	1,619
Thereafter	18,500
Total undiscounted lease payments	26,581
Less: imputed interest	(5,526)
Net lease liabilities	$ 21,055

Supplemental Operating Lease Information:

Remaining lease term (years):	
Maximum	27
Minimum	<1
Maximum discount rate	2.61%
Minimum discount rate	1.59%

(in thousands of dollars)

8. Intangible Assets

The following table shows identifiable intangible asset balances, net of amortization, included in other assets as of March 31:

	2023	2022	Estimated Amortization Period (in Years)
Customer relationships	$ 2,464	$ 2,464	7-15
Intellectual property	88	88	7
Noncompete agreements	25	25	5
Accumulated amortization	(2,367)	(2,081)	
	$ 210	$ 496	

Amortization expense of intangibles included in other expenses for the years ended March 31, 2023 and 2022, was $286 and $406, respectively. For the intangible assets as of March 31, 2023, the approximate annual future amortization expense is estimated to be $153 in 2024, $39 in 2025, $15 in 2026, and $3 in 2027.

9. Deposits

The following table shows deposit balances as of March 31:

	2023	2022
Demand deposit accounts	$ 1,501,218	$ 1,691,247
NOW accounts	1,103,553	1,038,448
Savings accounts	1,136,171	1,163,060
Money market accounts	1,110,206	1,347,102
Time deposits - under $250,000	348,627	347,720
Time deposits - $250,000 or more	696,124	167,416
	$ 5,895,899	$ 5,754,993

Included within the table above are brokered deposits of $581,952 and $183,011 as of March 31, 2023 and 2022, respectively.

(in thousands of dollars)

The following table summarizes time deposits by maturity as of March 31:

	2023	2022
Within 1 year	$ 809,034	$ 322,213
1 to 2 years	194,094	138,912
2 to 3 years	16,459	27,184
3 to 4 years	12,864	12,330
4 to 5 years	12,300	14,497
	$ 1,044,751	$ 515,136

10. Borrowed Funds

Short-term borrowed funds consist of Federal funds purchased from correspondent banks as well as all advances from the Federal Home Loan Bank of Boston (FHLBB) and securities sold under agreements to repurchase (repurchase agreements) that have original maturities of less than one year. Typically, customer repurchase agreements have maturities of 30 days or less and are collateralized by mortgage-backed securities and U.S. Government obligations. Long-term borrowed funds represent long-term advances from the FHLBB with original maturities dates over one year.

The FHLBB advances were collateralized by all of the Company's FHLBB stock, a blanket pledge of certain eligible first lien mortgages against real property, and all funds placed in deposit accounts at the FHLBB.

The following table shows borrowed funds as of March 31:

	2023		2022	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Short-term borrowed funds				
Customer repurchase agreements	$ 569,218	2.71 %	$ 617,283	0.13 %
Federal Discount Window	399,000	4.43	-	0.00
Short Term Advances from Federal Home Loan Bank	20,000	5.25	-	0.00
	988,218	3.46	617,283	0.13
Long-term borrowed funds				
Long-term advances from FHLBB	14,288	1.50	14,748	1.50
	14,288	1.50	14,748	1.50
Total borrowed funds	$ 1,002,506	3.43 %	$ 632,031	0.16 %

(in thousands of dollars)

Long-term borrowed funds consisted of the following maturities as of March 31:

	2023		2022	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Payable during year ending March 31,				
2023	$ -	- %	$ 460	1.50 %
2024	466	1.52	466	1.52
2025	473	1.53	473	1.53
2026	482	1.55	482	1.55
2027	1,028	2.97	1,028	2.97
2028	447	1.28	447	1.28
Beyond 2028	11,392	1.38	11,392	1.37
	$ 14,288	1.50 %	$ 14,748	1.50 %

Based upon Company loans pledged to the FHLBB as of March 31, 2023, the Company has additional borrowing capacity with the FHLBB of up to $890,328 subject to the purchase of up to $26,710 of additional FHLBB stock. In addition, the Company had in place $175,000 in unsecured Federal funds lines of credit with correspondent banks, of which $175,000 was unused and available for use, and a credit facility of $362,000 with the Federal Reserve Bank of Boston using commercial loans and municipal bonds as collateral, of which $362,000 was unused and available for use. The Company also had in place a credit facility of $475,665 through the Federal Reserve Bank Discount Window Bank Term Funding Program, using fixed-income investment securities as collateral, of which $76,665 was unused and available for use.

11. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to originate and sell loans, commercial and standby letters of credit, interest rate cap contracts, and swap agreements entered into for the benefit of commercial customers. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The contractual or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the above financial instruments is represented by the contractual amounts of the instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

(in thousands of dollars)

Approximate contractual or notional amounts of financial instruments with off-balance-sheet risk as of March 31 are as follows:

	2023	2022
Commitments to originate loans	$ 175,529	$ 259,769
Unused lines of credit		
Commercial	680,248	480,522
Home equity	574,086	485,117
Consumer/Standby	23,145	23,209
Overdraft protection	38,698	38,952
Commercial letters of credit	3,020	2,422
Financial standby letters of credit	3,657	3,399
FHLBB letters of credit	504,945	321,285
Performance standby letters of credit	6,268	4,891
Gross notional amounts of swap contracts	749,524	455,062
Business credit card recourse agreements	270	270
Derivative mortgage interest rate lock commitments	21,266	32,644
Derivative mortgage loan sale commitments	33,301	45,845

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon the credit extension, is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential and commercial real estate and, to a lesser degree, personal property, business inventory, and accounts receivable.

Commercial letters of credit are commitments to make payment on behalf of a customer. Financial standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. FHLBB letters of credit are guarantees issued by FHLBB to qualified public entities in lieu of deposit insurance for balances in excess of $250. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Interest rate lock commitments are agreements to extend credit to borrowers at a specified rate for generally a 30-day or 60-day period for the origination and/or purchase of loans. Unfunded loans for which commitments have been entered into are called “pipeline loans.” Some of these rate lock commitments will ultimately expire without being completed. To the extent that a loan is ultimately granted and the borrower ultimately accepts the terms of the loan, these rate lock commitments expose the Company to variability in their fair value due to changes in interest rates. If interest rates increase, the value of these rate lock commitments decreases. Conversely, if interest rates decrease, the value of these rate lock commitments increases.

(in thousands of dollars)

12. Employee Benefits

Defined Contribution Pension Plan
The Company has a defined contribution pension plan which covers substantially all employees. The total expense associated with this plan for the years ended March 31, 2023 and 2022, was $5,573 and $6,141, respectively.

Incentive Compensation Plan
The Company has an incentive compensation plan that covers substantially all employees. Bonuses are awarded to employees based on pre-established financial performance goals. The expense associated with this plan for the years ended March 31, 2023 and 2022, was $8,856 and $10,401, respectively.

Supplemental Retirement Plan
In 2003, the Company established an unfunded, nonqualified supplemental retirement plan for certain key officers. The plan was primarily designed to offset the impact of contribution thresholds in the Company's defined contribution pension plan that statutorily limit the benefits for highly paid employees under qualified pension plans. The plan will generally provide the participants a benefit payable upon retirement, disability, or death, disbursed over either a 20-year period or life-certain, as selected by the participant. The expense associated with this plan for the years ended March 31, 2023 and 2022, was $1,608 and $1,650, respectively.

Postretirement Benefits
The Company sponsors a defined benefit postretirement plan that provides limited postretirement medical and life insurance benefits to certain full-time employees who retire after the age of 55 and have 10 years of service or age 60 with 5 years of service. The plan is noncontributory. The Company’s policy is to fund the cost of postretirement benefits in amounts determined at the discretion of management.

(in thousands of dollars)

The estimated funded status of the plan for years ended March 31 is as follows:

	2023	2022
Reconciliation of Benefit Obligation		
Obligation at April 1,	$ 891	$ 868
Service cost	33	35
Interest cost	26	22
Benefit payments	(82)	(69)
Actuarial (gain) loss	(81)	35
Obligation and funded status at March 31,	$ 787	$ 891
Net Periodic Postretirement Benefit Cost		
Service cost	$ 33	$ 35
Interest cost	26	22
Amortization of prior service credit	(20)	(20)
Net periodic postretirement benefit cost	$ 39	$ 37

Assumptions used in determining the actuarial present value of the benefit obligation and net periodic postretirement benefit cost were as follows:

	2023	2022
Discount Rate		
For measuring benefit obligation	5.00%	3.13%
For measuring net periodic postretirement benefit cost	3.13%	2.68%

For measurement purposes, a 5.47% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023, and was assumed to decrease thereafter. Other information regarding the plan is as follows:

	2023	2022
Employer contribution	$ 82	$ 69
Benefits paid	82	69

Expected benefit payments for the ten years following March 31, 2023, are as follows:

2024	$ 90
2025	66
2026	55
2027	45
2028	55
2029-2033	264

Management expects the Company's contribution to the plan in 2024 will approximate $90.

(in thousands of dollars)

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income (loss) at March 31 are as follows:

	2023	2022
Net unrecognized actuarial gain (loss)	$ 38	$ (43)
Unamortized prior service credit	95	115
	$ 133	$ 72

The following amount was recognized in other comprehensive income (loss) in 2023 and 2022:

	2023	2022
Net actuarial (gain) loss	$ (81)	$ 35
Amortization of prior service credit	20	20
	$ (61)	$ 55

The reclassification of amortization of the net actuarial (gain) loss and of prior service credit included in net periodic benefit credit is reflected in the consolidated statements of income in compensation and benefits expense.

13. Income Taxes

A summary of income taxes applicable to income before income tax expense for the years ended March 31 follows:

	2023			2022		
	Federal	State	Total	Federal	State	Total
Current expense	$ 4,913	$ 979	$ 5,892	$ 9,456	$ 1,193	$ 10,649
Deferred expense (benefit)	3,741	-	3,741	2,019	-	2,019
	$ 8,654	$ 979	$ 9,633	$ 11,475	$ 1,193	$ 12,668

The effective federal income tax rate differed from the statutory rate as follows:

	2023	2022
Statutory rate	21.0 %	21.0 %
Differences resulting from		
Net earnings on bank owned life insurance contracts	(2.0)	(1.0)
Municipal income	(0.7)	(0.5)
Tax credits, net of amortization	(1.0)	(1.0)
State income taxes, net of federal tax benefit	1.5	1.5
Qualified transportation fringe benefits	0.1	0.1
Other	(0.2)	0.2
Effective rate	18.7 %	20.3 %

(in thousands of dollars)

A summary of the tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities as of March 31 follows:

	2023	2022
Deferred tax assets		
Allowance for loan losses	$ 7,720	$ 10,451
Accrued benefit and compensation costs	3,280	3,228
Deferred compensation	2,912	3,101
Accrued expenses	1,163	1,320
Unrealized losses on investment securities available for sale	58,843	31,804
Unrealized losses on equity securities available for sale	377	219
Other	1,646	-
Tax credits	57	90
Fair value adjustments from acquisition	267	429
Paycheck Protection Program service fees	15	264
Gross deferred tax assets	76,280	50,906
Deferred tax liabilities		
Premises and equipment	(9,579)	(8,791)
Loan origination costs	(3,320)	(2,915)
Intangibles/goodwill	(4,506)	(4,555)
Loan servicing rights	(1,249)	(1,260)
Other	(1,588)	(263)
Gross deferred tax liabilities	(20,242)	(17,784)
Net deferred tax asset	$ 56,038	$ 33,122

The allocation of deferred tax expense involving items allocated to current year income and items allocated directly to capital (related solely to other comprehensive income) for the years ended March 31 follows:

	2023	2022
Deferred tax benefit allocated to capital	$ (26,657)	$ (31,772)
Deferred tax cost allocated to operations	3,741	2,019
Total deferred tax benefit	$ (22,916)	$ (29,753)

The Company will only recognize a deferred tax asset when, based upon available evidence, realization is more likely than not.

For the years prior to 1996, the Bank used the percentage of income bad debt deduction to calculate its bad debt expense for tax purposes as was permitted by the Internal Revenue Code. The cumulative effect of this deduction of approximately $13,773 is subject to recapture, if used for purposes other than to absorb loan losses. Deferred taxes of $2,892 have not been provided on this amount because the Company does not intend to use the tax reserve other than to absorb loan losses.

(in thousands of dollars)

14. Regulatory Capital Requirements

The Company is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Under the Basel III regulatory capital framework, the quantitative measures established to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total, Tier 1 capital, and common equity Tier 1 (as defined) to risk-weighted assets (as defined), and of Tier 1 capital to average assets, or leverage ratio (as defined). These guidelines apply to the Company on a consolidated basis. In addition to these requirements, the banking organization must maintain a 2.5% capital conservation buffer consisting of common tier 1 equity. As of March 31, 2023, the Company had a capital conservation buffer of 4.02%, which was in excess of the regulatory requirement of 2.5%. As of March 31, 2023, management believes that the Company meets all capital adequacy requirements to which it is subject.

As of March 31, 2023, the most recent notification from the FDIC categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes would cause a change in the Company's categorization.

(in thousands of dollars)

The Company's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Under Basel III		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2023						
Total capital (to risk-weighted assets)	$581,047	12.02%	$507,765	10.50 %	$483,586	10.00 %
Tier 1 capital (to risk-weighted assets)	544,248	11.25	411,048	8.50	386,869	8.00
Common equity tier 1 (to risk-weighted assets)	544,248	11.25	338,510	7.00	314,331	6.50
Tier 1 leverage capital (to average assets)	544,248	7.29	298,539	4.00	373,174	5.00
As of March 31, 2022						
Total capital (to risk-weighted assets)	$551,896	13.20%	$438,987	10.50 %	$418,083	10.00 %
Tier 1 capital (to risk-weighted assets)	502,067	12.01	355,370	8.50	334,466	8.00
Common equity tier 1 (to risk-weighted assets)	502,067	12.01	292,658	7.00	271,754	6.50
Tier 1 leverage capital (to average assets)	502,067	7.28	275,771	4.00	344,713	5.00

The Bank's regulatory capital requirements approximate those of the Company.

The Bank, through WM-NH, is subject to capital guidelines as required by the New Hampshire State Banking and Trust department. Under established capital adequacy guidelines and per the WM-NH capital policy, the Bank must maintain $750 segregated for regulatory purposes in two accounts: one with $500 and another with $250. The $500 is considered required capital under RSA 383-C:5-502. The $250 is considered a liquidation pledge under RSA 383-C:5-503. For the years ended March 31, 2023 and 2022, the Bank maintained the two segregated accounts in the amounts of $500 and $250 in accordance with regulatory guidelines. As of March 31, 2023 and 2022, the Bank, through WM-NH, held capital in the amount of approximately $1,514 and $2,100, respectively, of which the two segregated balances were a component.

15. Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. Fair value is best determined using quoted market prices. However, in many instances, quoted market prices are not available. In such instances, fair values are determined using various valuation techniques. Various assumptions and observable inputs must be relied upon in applying these techniques. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions that the market participants would use in pricing the asset or liability based on the best information available in the circumstances.

(in thousands of dollars)

The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 — Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 — Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market.

Level 3 — Valuation is derived from model-based and other techniques in which at least one significant input is unobservable and which may be based on the Company's own estimates about the assumptions that market participants would use to value the asset or liability.

The following describes the methods and assumptions used by the Company in estimating its fair value measurements:

Investment Securities
Fair values of investment securities are based on quoted bid market prices, where available. Where quoted market prices for an instrument are not available, fair values are based on quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued. As such, the Company classifies investment securities as Level 2, except for equity securities and certain U. S. government obligations which are classified as Level 1.

Loans
Fair values of impaired loans, if collateral dependent, are discounted to the appraised value of the collateral, less costs to sell. As such, the Company classifies impaired loans as Level 2.

Loans Held For Sale
The fair value of loans held for sale is determined on an individual loan basis using quoted secondary market prices and is classified as Level 2.

Loan Servicing Rights
The fair values of loan servicing rights are estimated using discounted cash flows based on a current market interest rate. As such, the Company classifies loan servicing rights as Level 2.

Derivative Financial Instruments
The fair values of interest rate swaps are based on observable market prices for similar instruments or observable market interest rates. Fair values for on-balance sheet commitments to originate loans held for sale are based on quoted market prices for similar instruments in the secondary markets. As such, the Company classifies these instruments as Level 2.

OREO
Fair values of OREO are estimated using the market method, based on appraised value of the collateral, less cost to sell. As such, the Company classifies OREO as Level 2.

(in thousands of dollars)

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
U.S. government and GSE obligations	$ -	$ 193,273	$ -	$ 193,273
Other bonds and obligations	-	160,352	-	160,352
Mortgage-backed securities	-	1,523,905	-	1,523,905
Equity securities	11,366	-	-	11,366
Mortgage loans held for sale	-	12,301	-	12,301
Interest rate lock commitments	-	403	-	403
Forward sale commitments	-	131	-	131
Interest rate swaps	-	21,455	-	21,455
Liabilities				
Forward sale commitments	-	118	-	118
Interest rate swaps	-	19,427	-	19,427

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
U.S. government and GSE obligations	$ -	$ 222,157	$ -	$ 222,157
Other bonds and obligations	-	175,860	-	175,860
Mortgage-backed securities	-	1,972,457	-	1,972,457
Equity securities	12,130	-	-	12,130
Mortgage loans held for sale	-	16,499	-	16,499
Interest rate lock commitments	-	449	-	449
Forward sale commitments	-	703	-	703
Interest rate swaps	-	11,123	-	11,123
Liabilities				
Forward sale commitments	-	22	-	22
Interest rate swaps	-	10,847	-	10,847

The following table summarizes financial assets measured at fair value on a non-recurring basis as of March 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Loan servicing rights	$ -	$ 5,946	$ -	$ 5,946
Impaired loans	-	1,454	-	1,454
Other real estate owned	-	4,722	-	4,722

(in thousands of dollars)

The following table summarizes financial assets measured at fair value on a non-recurring basis as of March 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Loan servicing rights	$ -	$ 6,002	$ -	$ 6,002
Impaired loans	-	1,251	-	1,251
Other real estate owned	-	4,722	-	4,722

16. Interest Rate Swaps

The Company enters into interest rate swap agreements executed with commercial banking customers to facilitate customer risk management strategies. In addition to the swap agreement with the borrower, the Company enters into a second "back-to-back" swap agreement with a third party; the general terms of this swap mirror those of the first swap agreement. In entering into this transaction, the Company has offset its interest rate risk exposure to the swap agreement with the borrower. All interest rate swaps are valued at observable market prices for similar instruments or observable market interest rates.

The following table presents summary information regarding the value of interest rate swaps, which are included in other assets (liabilities) as of March 31:

	2023 Asset	2023 Liability	2022 Asset	2022 Liability
Swaps fixed/pay floating	$ 243	$ 19,184	$ 1,106	$ 9,741
Swaps floating/pay fixed	19,184	243	9,741	1,106
	$ 19,427	$ 19,427	$ 10,847	$ 10,847

The outstanding notional amounts of interest rate swaps entered into on behalf of customers at March 31 were as follows:

	2023	2022
Swaps fixed/pay floating	$ 193,995	$ 192,531
Swaps floating/pay fixed	193,995	192,531

The Company also uses receive variable/pay fixed interest rate swaps to hedge variable rate liabilities and fixed rate assets in an effort to strategically manage interest rate sensitivity. The Company entered into interest rate swap agreements with other parties to exchange net payment streams on specified notional principal amounts, whereby the Company receives the floating variable rate and pays the fixed rate. At March 31, 2023, the Company held variable rate liability swap agreements totaling $220,000 notional and asset swap agreements totaling $150,000 notional. At March 31, 2022, the Company held variable rate liability swap agreements totaling $70,000 notional.

(in thousands of dollars)

The interest rate swaps hedging variable rate liabilities each qualify as a highly effective cash flow hedge; as such, the change in fair value of these interest rate swaps was recorded in other comprehensive loss, net of tax. The interest rate swaps hedging fixed rate assets each qualify as a fair value hedge; as such, the change in fair value of the interest rate swaps was recorded in earnings, offset by the change in fair value of the underlying assets designated.

The terms of the interest rate swap agreements at March 31, 2023, were as follows:

Notional Amount	Fixed Rate	Variable Rate	Maturity Date	Fair Value
$ 10,000	1.89 %	4.94 %	6/14/2024	$ 331
10,000	1.89	4.94	6/14/2024	331
25,000	3.54	4.76	1/19/2026	93
25,000	3.54	4.76	1/19/2026	93
25,000	3.54	4.76	1/19/2026	93
25,000	3.54	4.76	1/19/2026	93
25,000	3.17	4.76	1/19/2028	173
25,000	3.17	4.76	1/19/2028	173
25,000	3.17	4.76	1/19/2028	173
25,000	3.17	4.76	1/19/2028	173
50,000	3.78	4.74	3/15/2025	219
50,000	3.57	4.74	3/15/2026	88
50,000	3.31	4.74	3/15/2028	(5)

The terms of the interest rate swap agreements at March 31, 2022, were as follows:

Notional Amount	Fixed Rate	Variable Rate	Maturity Date	Fair Value
$ 25,000	0.13 %	0.40 %	4/8/2022	$ 1
25,000	0.10	0.40	4/16/2022	2
10,000	1.89	0.25	6/14/2024	136
10,000	1.89	0.25	6/14/2024	136

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