

BANGOR BANCORP, MHC AND ITS SUBSIDIARY
BANGOR SAVINGS BANK

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

Bangor
Savings Bank

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Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
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March 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank

Opinions on the Consolidated 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 sheet as of March 31, 2025, and the related consolidated statements of income, comprehensive income, changes in capital, and cash flows for the year 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, 2025, and the results of their operations and their cash flows for the year 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 consolidated 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, 2025, 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, 2025, 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 Consolidated 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Company as of and for the year ended March 31, 2024 were audited by Berry, Dunn, McNeil & Parker, LLC, whose report dated June 7, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated 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 Consolidated 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 consolidated 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 consolidated 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 consolidated 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.

BDMF Assurance, LLP

Portland, Maine
June 6, 2025

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Balance Sheets
March 31, 2025 and 2024

<i>(in thousands of dollars)</i>	2025	2024
Assets		
Cash and due from banks	\$ 90,281	\$ 84,665
Investment securities available for sale at fair value (amortized cost of \$1,774,744 and \$1,934,748, respectively), net of allowance for credit losses of \$109 and \$85, respectively	1,557,634	1,660,381
Equity securities	10,954	11,258
Federal Home Loan Bank of Boston stock	9,698	11,995
Loans	4,977,268	4,840,974
Less allowance for credit losses	33,045	32,063
Net loans	4,944,223	4,808,911
Premises and equipment, net	205,402	205,918
Bank owned life insurance	147,016	135,354
Goodwill	71,851	71,851
Other assets	201,713	224,076
Total assets	\$ 7,238,772	\$ 7,214,409
Liabilities and capital		
Liabilities		
Deposits	\$ 6,172,849	\$ 5,233,217
Borrowed funds	468,645	1,432,926
Other liabilities	129,894	132,480
Total liabilities	6,771,388	6,798,623
Capital		
Retained earnings	638,358	625,765
Accumulated other comprehensive loss	(170,974)	(209,979)
Total capital	467,384	415,786
Total liabilities and capital	\$ 7,238,772	\$ 7,214,409

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, 2025 and 2024

<i>(in thousands of dollars)</i>	2025	2024
Interest and dividend income		
Interest on loans	\$ 229,943	\$ 210,782
Interest and dividends on investment securities	43,407	41,843
Total interest and dividend income	273,350	252,625
Interest expense		
Interest on deposits	85,380	68,412
Interest on borrowed funds	43,116	50,459
Total interest expense	128,496	118,871
Net interest income	144,854	133,754
Total provision for (reduction in) credit losses	1,028	(4,694)
Net interest income after provision for (reduction in) credit losses	143,826	138,448
Non-interest income		
Deposit and branch services	10,432	8,846
Card services	25,320	24,445
Wealth management services	10,849	9,759
Mortgage sales	10,031	7,509
Payroll services	14,272	13,619
Bank owned life insurance	5,373	4,034
Loan services	4,196	3,787
Other fees and income	2,723	2,200
Total non-interest income	83,196	74,199
Net loss on sales of investment securities	(698)	(967)
Unrealized loss on equity method investment	(2,042)	-
Total investment losses	(2,740)	(967)
Non-interest expense		
Compensation and benefits	120,666	113,406
Occupancy and equipment	27,225	26,426
Data and card processing	26,784	23,778
Regulatory assessments	5,859	5,766
Community support and marketing	4,772	5,115
Customer ATM rebates	4,069	3,818
Other expenses	20,826	19,606
Total non-interest expense	210,201	197,915
Income before income tax expense (benefit)	14,081	13,765
Income tax expense (benefit)	1,488	(1,574)
Net income	\$ 12,593	\$ 15,339

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 Income** **Years Ended March 31, 2025 and 2024**

<i>(in thousands of dollars)</i>	2025	2024
Net income	\$ 12,593	\$ 15,339
Other comprehensive income:		
Unrealized gains on securities available for sale:		
Unrealized gains on securities available for sale included in net income, net of tax expense of \$12,449 and \$1,824, respectively	44,134	3,546
Reclassification adjustment for realized losses on securities sold included in net income, net of tax benefit of (\$153) and (\$203), respectively [1]	545	764
Unrealized losses on postretirement plans, net of tax benefit of \$23 and \$46, respectively	(81)	(172)
Unrealized (losses) gains on interest rate swaps, net of tax benefit (expense) of \$1,577 and (\$1,561), respectively	(5,593)	5,535
Other comprehensive income	<u>39,005</u>	<u>9,673</u>
Total comprehensive income	<u>\$ 51,598</u>	<u>\$ 25,012</u>

[1] Classified in the consolidated statements of income in net loss 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, 2025 and 2024

<i>(in thousands of dollars)</i>	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, March 31, 2023	\$ 611,754	\$ (219,652)	\$ 392,102
Adoption of ASU No. 2016-13	(1,328)	-	(1,328)
Net income	15,339	-	15,339
Other comprehensive income			
Unrealized gains on securities available for sale	-	4,310	4,310
Unrealized losses on postretirement plans	-	(172)	(172)
Unrealized gains on interest rate swaps	-	5,535	5,535
Total comprehensive income	<u>15,339</u>	<u>9,673</u>	<u>25,012</u>
Balance, March 31, 2024	<u>625,765</u>	<u>(209,979)</u>	<u>415,786</u>
Net income	12,593	-	12,593
Other comprehensive income			
Unrealized gains on securities available for sale	-	44,679	44,679
Unrealized losses on postretirement plans	-	(81)	(81)
Unrealized losses on interest rate swaps	-	(5,593)	(5,593)
Total comprehensive income	<u>12,593</u>	<u>39,005</u>	<u>51,598</u>
Balance, March 31, 2025	<u>\$ 638,358</u>	<u>\$ (170,974)</u>	<u>\$ 467,384</u>

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, 2025 and 2024

(in thousands of dollars)

	2025	2024
Cash flows from operating activities		
Net income	\$ 12,593	\$ 15,339
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of premises and equipment	13,722	13,457
Amortization of intangible assets	39	153
Provision for (reduction in) credit losses	1,028	(4,694)
Net increase in cash surrender value of bank owned life insurance	(3,875)	(2,879)
Net loss on sales of investment securities	698	967
Net recognized (gain) loss on equity securities	(173)	88
Net amortization of premiums on securities available for sale	1,252	6,081
Loans originated for resale	(392,550)	(330,716)
Proceeds from sales of loans	394,605	333,412
Net gain on sale of loans, net of value of servicing rights retained	(3,321)	(4,291)
Net gain on sale of bank premises and equipment	(78)	(413)
Net loss on sale of other real estate owned	607	-
Deferred income tax benefit	(3,307)	(1,998)
Net decrease (increase) in other assets	5,477	(9,888)
Net increase in other liabilities	4,939	5,490
Net cash provided by operating activities	<u>31,656</u>	<u>20,108</u>
Cash flows from investing activities		
Proceeds from sales and calls of securities available for sale	18,302	40,251
Proceeds from sales and calls of equity securities	507	109
Proceeds from maturities and prepayments of securities available for sale	179,548	193,460
Purchases of securities available for sale	(49,534)	(15,232)
Net proceeds from redemptions (purchases) of Federal Home Loan		
Bank of Boston stock	2,297	(5,676)
Net increase in loans	(135,155)	(128,956)
Purchases of premises and equipment	(13,779)	(15,995)
Proceeds from sales of premises and equipment	160	2,304
Proceeds from sales of other real estate owned	4,115	-
Purchase of land easement	(65)	-
Purchases of bank owned life insurance	(10,284)	-
Proceeds from bank owned life insurance	2,497	-
Net cash (used in) provided by investing activities	<u>(1,391)</u>	<u>70,265</u>
Cash flows from financing activities		
Net increase (decrease) in deposits	939,632	(662,682)
Net (decrease) increase in short-term borrowed funds	(969,417)	424,160
Net increase in long-term borrowed funds	5,136	6,260
Net cash used in financing activities	<u>(24,649)</u>	<u>(232,262)</u>
Net increase (decrease) in cash and cash equivalents	5,616	(141,889)
Cash and cash equivalents at beginning of year	84,665	226,554
Cash and cash equivalents at end of year	<u>\$ 90,281</u>	<u>\$ 84,665</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	\$ 126,409	\$ 119,338
Income taxes	459	(2,460)
Noncash investing and financing activities		
Premises and equipment included in accounts payable	\$ 173	\$ 193

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

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank

Notes to Consolidated Financial Statements

March 31, 2025 and 2024

(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 credit losses (ACL), the value of loan servicing rights, classification of unrealized losses on investment securities, other real estate owned (OREO), 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.

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(in thousands of dollars)

The Company's primary market area covers Northern New England.

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.

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, 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 available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the value expected to be collected from the security is compared to the amortized cost basis of the security. If the value expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income. Changes in the ACL are recorded as credit loss expense (or reduction). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank

Notes to Consolidated Financial Statements

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(in thousands of dollars)

interest receivable on available-for-sale debt securities for the years ended March 31, 2025 and 2024 was \$4,878 and \$5,113, respectively, was reported in other assets on the consolidated balance sheets, and is excluded from the estimate of credit losses.

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.

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 non-interest 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, 2025 and 2024, other derivatives that are not designated as cash flow hedges because they do not meet strict hedge accounting requirements are likewise used to manage

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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 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 individually evaluated 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.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank

Notes to Consolidated Financial Statements

March 31, 2025 and 2024

(in thousands of dollars)

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 primarily using the effective yield method. When loans are sold or paid off, the remaining unamortized fees and costs are transferred to interest income.

Accrued interest receivable on loans for the years ended March 31, 2025 and 2024 was \$11,741 and \$11,833, respectively.

ACL - Loans

The ACL on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management evaluates the appropriateness of the ACL on loans quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. A reversion methodology is applied beyond the reasonable and supportable forecasts.

The ACL on loans represents the Company's estimated risk of loss within its loan portfolio as of the reporting date. To appropriately measure expected credit losses, management disaggregates the loan portfolio into pools of similar risk characteristics.

The Company utilizes a loss rate approach to calculate the expected loss for each portfolio segment. Within the model, loans are assigned to segments based on certain criteria and then pooled. A probability of default (PD) and loss given default (LGD) assumption is applied to calculate the expected loss for each pool. PD is the probability the asset will default within a given time frame and LGD is the percentage of assets not expected to be collected due to default. The Company utilizes several different loss rate models provided by Moody's Analytics.

For consumer loans, the Company utilizes the Moody's Expected Consumer Credit Loss (ECCL) model. Loans are pooled based on their unique combination of geography, origination vintage, credit score at origination, loan term, and loan segment.

For commercial real estate loans (CRE), the Company utilizes the Moody's CRE Loss Rate model. Loans are pooled based on their unique combination of property status, property type, delinquency status, vintage year, and origination loan to value (OLTV).

For commercial loans (C&I), the Company utilizes the Moody's C&I Loss Rate Model. The model calculates lifetime expected loss using the following risk drivers: age percentage, credit spread at origination, loan size at origination, risk rating, loan type, industry sector, and unemployment rate.

All of the models above utilize Moody's economic forecasts of certain macroeconomic variables. These economic forecasts are considered reasonable and supportable for 24 months, then have a 12 month mean reversion period. While Moody's provides 11 different forecasts, the Company has

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chosen to utilize the following forecasts and weightings of those forecasts: Baseline (BL) at 40%; Stronger Near-Term Growth (S1) at 30%; Moderate Recession Scenario (S3) at 30%.

Moody's provides the Company, via its Historic Loss Analyzer (HLA), the ability to compare the Company's loss experience, and the loss experience of the Company's peer group, with that of those company's used by Moody's when creating their models. The Company has opted to use the more conservative of either the Bank's or the Peer Group's scaler. These scalers are recalculated when management makes changes to the peer group. Management has applied scalers at the portfolio level to the commercial, commercial real estate, and consumer portfolios.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan. However, when management determines that foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans. For term loans, the contractual life is calculated based on the maturity date. In calculating the ACL on loans, the contractual life of a loan may be adjusted for prepayments to arrive at expected cash flows. The ECCL model used for retail loans is the only model that inherently factors prepayment speeds. Management has not incorporated a prepayment adjustment to the commercial or commercial real estate models.

ACL - Off-Balance Sheet

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit exposures is adjusted through credit loss expense (or reduction). To appropriately measure expected credit losses, management disaggregates the off-balance sheet credit exposures into similar risk characteristics, identical to those determined for the loan portfolio. An estimated funding rate is then applied to the qualifying unfunded loan commitments and letters of credit using the Company's own historical experience to estimate the expected funded amount for each loan segment as of the reporting date. Once the expected funded amount for each loan segment is determined, the loss rate, which is the calculated expected loan loss as a percent of the amortized cost basis for each loan segment, is applied to calculate the ACL on off-balance sheet credit exposures as of the reporting date. The ACL on off-balance sheet credit exposures is presented within other liabilities on the consolidated balance sheets.

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The table below presents a rollforward for the years ended March 31 of the allowance for credit losses on off-balance sheet credit exposures held at period end:

	2025	2024
Beginning balance	\$ 2,122	\$ -
Impact of adopting ASC 326	-	2,484
Credit loss reduction	(183)	(362)
Total ending allowance balance	<u>\$ 1,939</u>	<u>\$ 2,122</u>

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.

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 and land easements) 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. Land easements are recorded at the price paid at the time of acquisition. The Company does not amortize, but rather tests 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.

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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, 2025. The amount of impairment recognized is the amount by which the capitalized loan servicing rights for a stratum exceed their fair value.

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 ACL. 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. The balance as of March 31, 2025 and 2024 was \$0 and \$4,722, respectively.

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.

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.

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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 March 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. ASU No. 2014-01, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*, previously introduced the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met; however, this guidance limited the proportional amortization method to investments in low-income-housing tax credit (LIHTC) structures. The amendments in this update are effective for the Company for fiscal years beginning after December 31, 2024, including interim periods within those fiscal years. The Company does not believe the ASU will have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures*. The ASU provides more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information, such as requiring the disclosure of specific categories in the rate reconciliation and the disaggregation of income tax expense and income taxes paid for federal, state, and foreign taxes. The ASU is effective for annual periods beginning after December 15, 2025. The Company does not believe the ASU will 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 6, 2025, which was the date the financial statements were available to be issued.

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2. Investment Securities

A summary of investment securities available-for-sale as of March 31, 2025, follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. government and government sponsored enterprise (GSE) obligations					
Maturing within 1 year	\$ 6,993	\$ -	\$ (147)	\$ 6,846	\$ -
Maturing after 1 year but within 5 years	124,420	-	(8,500)	115,920	-
Maturing after 5 years but within 10 years	60,498	-	(9,373)	51,125	-
Other bonds and obligations					
Maturing within 1 year	9,845	-	(94)	9,751	-
Maturing after 1 year but within 5 years	55,485	51	(1,703)	53,833	-
Maturing after 5 years but within 10 years	121,539	908	(10,296)	112,151	(109)
Maturing after 10 years but within 20 years	5,410	60	(773)	4,697	-
Mortgage-backed securities					
Government and GSE issued and guaranteed	1,390,554	138	(187,272)	1,203,420	-
	<u>\$ 1,774,744</u>	<u>\$ 1,157</u>	<u>\$ (218,158)</u>	<u>\$ 1,557,743</u>	<u>\$ (109)</u>

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, 2025, the amortized cost of the Company's investment securities with call or prepayment features was \$1,629,921. 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, 2025, were \$18,302. The resulting realized gains and losses for the year ended March 31, 2025, were \$0 and \$698, respectively.

As of March 31, 2025, securities with an amortized cost of \$633,209 were pledged to secure borrowed funds, public deposits, and for other purposes as compared with \$1,731,078 as of March 31, 2024.

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The following table summarizes available-for-sale debt securities in an unrealized loss position for which an allowance for credit losses has not been recorded at March 31, 2025, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and GSE obligations	\$ -	\$ -	\$ 173,890	\$ (18,020)
Other bonds and obligations	5,315	(21)	114,229	(12,680)
Mortgage-backed securities	7,094	(47)	1,178,054	(187,225)
	<u>\$ 12,409</u>	<u>\$ (68)</u>	<u>\$ 1,466,173</u>	<u>\$ (217,925)</u>

A summary of investment securities available-for-sale as of March 31, 2024, follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. government and GSE obligations					
Maturing after 1 year but within 5 years	\$ 121,558	\$ -	\$ (12,314)	\$ 109,244	\$ -
Maturing after 5 years but within 10 years	70,488	-	(13,334)	57,154	-
Other bonds and obligations					
Maturing within 1 year	4,199	-	(129)	4,070	-
Maturing after 1 year but within 5 years	72,224	30	(3,934)	68,320	-
Maturing after 5 years but within 10 years	97,630	548	(13,682)	84,496	(85)
Maturing after 10 years but within 20 years	13,092	-	(1,745)	11,347	-
Mortgage-backed securities					
Government and GSE issued and guaranteed	1,555,557	49	(229,771)	1,325,835	-
	<u>\$ 1,934,748</u>	<u>\$ 627</u>	<u>\$ (274,909)</u>	<u>\$ 1,660,466</u>	<u>\$ (85)</u>

Within the available-for-sale investment securities portfolio, net proceeds from the sales and calls of investment securities for the year ended March 31, 2024, were \$40,251. The resulting realized gains and losses for the year ended March 31, 2024, were \$0 and \$967, respectively.

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The following table summarizes available-for-sale debt securities in an unrealized loss position for which an allowance for credit losses has not been recorded at March 31, 2024, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and GSE obligations	\$ -	\$ -	\$ 166,398	\$ (25,648)
Other bonds and obligations	9,112	(235)	125,991	(17,308)
Mortgage-backed securities	2,936	(5)	1,314,502	(229,766)
	<u>\$ 12,048</u>	<u>\$ (240)</u>	<u>\$ 1,606,891</u>	<u>\$ (272,722)</u>

Unrealized losses on bonds for years ended March 31, 2025 and 2024 have not been recognized into income because management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery. Additionally, the decline in fair value on the bonds are non-credit related and due to changes in interest rates and other market conditions. The issuers are all of high credit quality and continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

The table below presents a rollforward for the years ended March 31 of the allowance for credit losses on debt securities available-for-sale held at period end:

	2025	2024
Beginning balance	\$ 85	\$ -
Impact of adopting ASC 326	-	155
Credit loss expense (reduction)	24	(70)
Total ending allowance balance	<u>\$ 109</u>	<u>\$ 85</u>

3. Loans

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

	2025	2024
Residential real estate	\$ 2,026,421	\$ 2,082,857
Commercial real estate	1,566,845	1,487,354
Commercial	713,285	688,812
Consumer installment	49,431	33,767
Consumer revolving	620,921	549,385
Total loans	<u>4,976,903</u>	<u>4,842,175</u>
Net deferred cost (fees) and unearned discounts	365	(1,201)
Allowance for credit losses	<u>(33,045)</u>	<u>(32,063)</u>
	<u>\$ 4,944,223</u>	<u>\$ 4,808,911</u>

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The Company grants residential, commercial, and consumer loans to customers located primarily in Northern New England. 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:

	2025	2024
Beginning balance	\$ 46,349	\$ 48,279
Loans made/advanced and additions	565	847
Repayments and reductions	(7,755)	(2,777)
Ending balance	<u>\$ 39,159</u>	<u>\$ 46,349</u>

As of March 31, 2025 and 2024, all loans to related parties were performing in accordance with their contractual terms.

Information on the past-due status of loans as of March 31, 2025, 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
Residential real estate	\$ 5,212	\$ 542	\$ 2,105	\$ 7,859	\$ 2,018,562	\$ 2,026,421	\$ -
Commercial real estate	489	286	1,337	2,112	1,564,733	1,566,845	-
Commercial	1,291	843	477	2,611	710,674	713,285	-
Consumer installment	211	63	413	687	48,744	49,431	-
Consumer revolving	1,659	129	600	2,388	618,533	620,921	-
Total	<u>\$ 8,862</u>	<u>\$ 1,863</u>	<u>\$ 4,932</u>	<u>\$ 15,657</u>	<u>\$ 4,961,246</u>	<u>\$ 4,976,903</u>	<u>\$ -</u>

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Information on the past-due status of loans as of March 31, 2024, 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
Residential real estate	\$ 6,212	\$ -	\$ 1,262	\$ 7,474	\$ 2,075,383	\$ 2,082,857	\$ -
Commercial real estate	60	-	243	303	1,487,051	1,487,354	-
Commercial	103	44	925	1,072	687,740	688,812	-
Consumer installment	92	3	58	153	33,614	33,767	-
Consumer revolving	555	50	225	830	548,555	549,385	-
Total	<u>\$ 7,022</u>	<u>\$ 97</u>	<u>\$ 2,713</u>	<u>\$ 9,832</u>	<u>\$ 4,832,343</u>	<u>\$ 4,842,175</u>	<u>\$ -</u>

The following table presents the amortized cost basis of loans on nonaccrual status as of March 31:

	2025		2024	
	Nonaccrual with No Allowance for Credit Loss	Total Nonaccrual	Nonaccrual with No Allowance for Credit Loss	Total Nonaccrual
Residential real estate	\$ 300	\$ 2,514	\$ 219	\$ 1,770
Commercial real estate	1,669	3,397	853	969
Commercial	802	1,450	1,041	1,522
Consumer installment	-	87	-	46
Consumer revolving	-	548	-	225
Total	<u>\$ 2,771</u>	<u>\$ 7,996</u>	<u>\$ 2,113</u>	<u>\$ 4,532</u>

The Company recognized interest income on nonaccrual loans for the years ended March 31, 2025 and 2024 of \$267 and \$170, respectively.

The following table presents the amortized cost basis of collateral-dependent loans as of March 31, 2025 by collateral type:

	Real Estate	All Business Assets	Total
Commercial real estate	\$ 69	\$ -	\$ 69
Commercial	-	55	55
Total	<u>\$ 69</u>	<u>\$ 55</u>	<u>\$ 124</u>

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The following table presents the amortized cost basis of collateral-dependent loans as of March 31, 2024 by collateral type:

	Real Estate	All Business Assets	Total
Commercial real estate	\$ 667	\$ -	\$ 667
Commercial	-	121	121
Total	<u>\$ 667</u>	<u>\$ 121</u>	<u>\$ 788</u>

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment.

As of March 31, 2025 and 2024, there were 4 and 5 loans, respectively, collateralized by residential real estate in the process of foreclosure with a total balance of \$404 and \$382, respectively.

4. Allowance for Credit Losses

Principally, the Company's CECL framework measures assets at amortized cost and estimates a reserve which considers past events, current conditions, and reasonable and supportable forecasts. The allowance consists of collectively evaluated and individually evaluated components. The individually evaluated component relates to loans that are classified as Substandard or Doubtful. An allowance is established when the discounted cash flows or collateral value of the individually evaluated loan is less than the carrying value of that loan. The collectively evaluated loans are pooled and collectively assessed for impairment rather than being individually evaluated at a loan level. The only qualitative factor used in the methodology is the HLA factor. The HLA compares the Company's loss experience, and the loss experience of the peer group, with that of those companies that are used by Moody's when creating their models. Management has applied scalars at the portfolio level for all portfolios, except for the credit card subset of the Consumer portfolio.

For purposes of determining the ACL on loans, the Company disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. The Company's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

Residential real estate: All loans in this segment are collateralized by owner occupied residential real estate and the allowance is dependent on the credit quality of the individual borrower (FICO), the date the loan was originated, the state in which the loan was originated, as well as macro-economic factors such as unemployment rate.

Commercial real estate: Loans in this segment are primarily income producing properties or properties occupied by businesses. The allowance is dependent on factors such as original loan to value ratio, origination date, property status, delinquency status, maturity, and macro-economic factors like unemployment rate and GDP growth rate.

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Commercial: Loans in this segment are made to businesses and are generally secured by assets of the business. The allowance calculation is dependent on the loan's risk rating, industry sector, credit spread at origination, as well as macro-economic factors such as unemployment rate.

Consumer: Repayment of the loans in this segment is generally dependent on the credit quality of the individual borrower. The allowance calculation utilizes the loan's life cycle, credit quality, as well as macro-economic factors such as unemployment rate.

The following table presents the activity in the ACL by loan portfolio segment for the year ended March 31, 2025:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Beginning balance	\$ 2,784	\$ 24,373	\$ 2,679	\$ 358	\$ 1,869	\$ 32,063
Credit loss expense (reduction)	(278)	639	(138)	379	584	1,186
Loans charged-off	(130)	(4)	(285)	(759)	(229)	(1,407)
Recoveries	72	17	693	232	189	1,203
Ending Balance	\$ 2,448	\$ 25,025	\$ 2,949	\$ 210	\$ 2,413	\$ 33,045

The following table presents the activity in the ACL by loan portfolio segment for the year ended March 31, 2024:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Unallocated	Total
Beginning balance prior to adoption of ASC 326	\$ 13,930	\$ 11,277	\$ 2,344	\$ 468	\$ 4,301	\$ 4,479	\$ 36,799
Impact of adopting ASC 326	(10,613)	17,052	244	(151)	(3,010)	(4,479)	(957)
Credit loss expense (reduction)	(594)	(3,985)	(759)	452	624	-	(4,262)
Loans charged-off	-	-	(152)	(637)	(167)	-	(956)
Recoveries	61	29	1,002	226	121	-	1,439
Ending Balance	\$ 2,784	\$ 24,373	\$ 2,679	\$ 358	\$ 1,869	\$ -	\$ 32,063

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

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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. 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.

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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 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, 2025:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	\$ 2,015,236	\$ 1,544,170	\$ 685,004	\$ 49,020	\$ 617,859	\$ 4,911,289
Special mention (Grade 7)	3,302	3,069	2,385	110	1,120	9,986
Substandard (Grade 8)	7,883	19,606	25,896	301	1,942	55,628
Doubtful (Grade 9)	-	-	-	-	-	-
Total	<u>\$ 2,026,421</u>	<u>\$ 1,566,845</u>	<u>\$ 713,285</u>	<u>\$ 49,431</u>	<u>\$ 620,921</u>	<u>\$ 4,976,903</u>

The following table summarizes the risk ratings for the loan portfolio by portfolio segment, as of March 31, 2024:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	\$ 2,072,650	\$ 1,461,064	\$ 661,115	\$ 33,451	\$ 546,987	\$ 4,775,267
Special mention (Grade 7)	3,523	7,730	5,904	46	704	17,907
Substandard (Grade 8)	6,684	18,560	21,793	270	1,694	49,001
Doubtful (Grade 9)	-	-	-	-	-	-
Total	<u>\$ 2,082,857</u>	<u>\$ 1,487,354</u>	<u>\$ 688,812</u>	<u>\$ 33,767</u>	<u>\$ 549,385</u>	<u>\$ 4,842,175</u>

The Company works proactively with borrowers experiencing financial difficulty to assist with loan repayments, accommodations, or modifications. In certain instances, the Company grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan should be modified due to financial difficulty, 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. In some cases, the Company provides multiple types of

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concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as rate reduction, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The following table presents loans modified during the year ended March 31, 2025, by loan segment and the associated specific reserve included in the allowance for credit losses:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Residential real estate	2	\$ 539	\$ 539	\$ 517	\$ 1
Commercial	2	174	174	174	-
Total	4	\$ 713	\$ 713	\$ 691	\$ 1

The following table presents loans modified during the year ended March 31, 2024, by loan segment and the associated specific reserve included in the allowance for credit losses:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Commercial real estate	3	\$ 415	\$ 415	\$ 415	\$ -
Commercial	4	266	356	237	200
Consumer revolving	1	63	63	62	-
Total	8	\$ 744	\$ 834	\$ 714	\$ 200

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

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The following table presents the amortized cost basis of loans on March 31, 2025, that were both experiencing financial difficulty and modified during the year ended March 31, 2025, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	Other	Total Class of Financing Receivable
Residential real estate	\$ -	\$ 411	\$ 95	\$ -	0.02%
Commercial	169	-	6	-	0.02%
Total	<u>\$ 169</u>	<u>\$ 411</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>0.01%</u>

The following table presents the amortized cost basis of loans on March 31, 2024, that were both experiencing financial difficulty and modified during the year ended March 31, 2024, by class and by type of modification.

	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	Other	Total Class of Financing Receivable
Commercial real estate	\$ -	\$ 182	\$ 202	\$ -	0.03%
Commercial	17	-	21	200	0.01%
Consumer revolving	-	-	62	-	0.01%
Total	<u>\$ 17</u>	<u>\$ 182</u>	<u>\$ 285</u>	<u>\$ 200</u>	<u>0.01%</u>

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months as of March 31, 2025:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Residential real estate	\$ -	\$ -	\$ 121	\$ 121
Commercial	-	-	175	175
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296</u>	<u>\$ 296</u>

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The following table presents the performance of such loans that have been modified in the last 12 months as of March 31, 2024:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Commercial real estate	\$ -	\$ -	\$ 384	\$ 384
Commercial	-	-	238	238
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622</u>	<u>\$ 622</u>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended March 31, 2025:

	Weighted- Average Interest Rate Reduction	Weighted- Average Term Extension
Residential real estate	1.73%	22.3 years
Commercial	<u>0.15%</u>	<u>2.0 years</u>
Total	<u>1.32%</u>	<u>8.65 years</u>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended March 31, 2024:

	Weighted- Average Interest Rate Reduction	Weighted- Average Term Extension
Commercial real estate	1.61%	20 years
Commercial	2.17%	-
Consumer revolving	<u>3.50%</u>	<u>2.3 years</u>
Total	<u>1.89%</u>	<u>14.81 years</u>

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by the same amount.

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5. Loan Servicing

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

	2025	2024
Beginning balance	\$ 7,124	\$ 5,946
Net additions	2,309	1,975
Amortization	<u>(953)</u>	<u>(797)</u>
Ending balance	<u>\$ 8,480</u>	<u>\$ 7,124</u>

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 \$1,224,069 and \$1,035,413 as of March 31, 2025 and 2024, respectively.

Custodial escrow balances, including those maintained in connection with the foregoing loan servicing, were \$6,045 and \$5,328 as of March 31, 2025 and 2024, respectively, and are included in savings accounts.

6. Premises and Equipment

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

	2025	2024
Land	\$ 20,521	\$ 20,320
Premises	198,764	194,786
Furniture and equipment	69,264	70,267
Leasehold improvements	10,557	9,176
Construction-in-progress	<u>12,258</u>	<u>11,758</u>
Total premises and equipment	311,364	306,307
Less accumulated depreciation	<u>105,962</u>	<u>100,389</u>
	<u>\$ 205,402</u>	<u>\$ 205,918</u>

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, 2025 and 2024, was \$1,985 and \$1,807, 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 45 years, some of which include renewal or termination options. The Company does not have any significant subleases nor finance leases.

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

	Balance Sheet Classification	2025	2024
Right of use assets	Other assets	\$ 21,575	\$ 19,555
Lease liabilities	Other liabilities	(22,237)	(19,991)

There was no right of use lease impairment for the years ended March 31, 2025 and 2024.

Cash paid for amounts included in the measurement of lease liabilities totaled \$1,758 and \$1,603 for the years ended March 31, 2025 and 2024, respectively.

Lease obligations:

Future undiscounted lease payments for operating leases with initial terms of one year or more as of March 31, 2025, are as follows:

2026	\$ 1,780
2027	1,700
2028	1,744
2029	1,703
2030	1,459
Thereafter	21,550
Total undiscounted lease payments	29,936
Less: imputed interest	(7,699)
Net lease liabilities	<u>\$ 22,237</u>

Supplemental operating lease information:

	2025	2024
Weighted average term (years)	20	18
Weighted average discount rate	2.66%	2.49%

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8. Intangible Assets

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

	2025	2024	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	<u>(2,559)</u>	<u>(2,520)</u>	
	18	57	
Land easement	65	-	Perpetuity
	<u>\$ 83</u>	<u>\$ 57</u>	

Amortization expense of intangibles included in other expenses for the years ended March 31, 2025 and 2024, was \$39 and \$153, respectively. For the intangible assets as of March 31, 2025 the approximate annual future amortization expense is estimated to be \$15 in 2026, and \$3 in 2027, at which point they will be fully amortized.

9. Deposits

The following table shows deposit balances as of March 31:

	2025	2024
Demand deposit accounts	\$ 1,360,871	\$ 1,395,630
NOW accounts	1,408,307	1,106,698
Savings accounts	936,225	971,461
Money market accounts	973,101	1,010,588
Time deposits - under \$250,000	517,556	420,009
Time deposits - \$250,000 or more	<u>976,789</u>	<u>328,831</u>
	<u>\$ 6,172,849</u>	<u>\$ 5,233,217</u>

Included within the table above are brokered deposits of \$921,699 and \$193,384 as of March 31, 2025 and 2024, respectively.

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

	2025	2024
Within 1 year	\$ 1,420,536	\$ 645,042
1 to 2 years	30,796	67,884
2 to 3 years	22,998	17,007
3 to 4 years	15,370	8,861
4 to 5 years	4,645	10,046
	<u>\$ 1,494,345</u>	<u>\$ 748,840</u>

10. Borrowed Funds

Short-term borrowed funds consist of advances from the Federal Home Loan Bank of Boston (FHLB) 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 FHLB.

The FHLB advances were collateralized by all of the Company's FHLB stock, a pledge of certain eligible outstanding loans, and all funds placed in deposit accounts at the FHLB.

The Federal Discount Window advances were taken down through the Bank Term Funding Program, which ceased extending new loans on March 11, 2024. The advances were collateralized by U.S. Treasury securities, U.S. agency securities, and U.S. agency mortgage-backed securities. As of March 31, 2025 the advances were fully paid off.

The following table shows borrowed funds as of March 31:

	2025		2024	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Short-term borrowed funds				
Customer repurchase agreements	\$ 328,961	2.94 %	\$ 443,370	3.44 %
Federal Discount Window	-	-	794,000	4.80
Short Term Advances from FHLB	75,000	4.49	120,008	5.55
Daily Cash from FHLB	39,000	4.53	55,000	5.55
	<u>442,961</u>	3.34	<u>1,412,378</u>	4.46
Long-term borrowed funds				
Long-term advances from FHLB	<u>25,684</u>	1.88	<u>20,548</u>	1.59
Total borrowed funds	<u>\$ 468,645</u>	3.26 %	<u>\$ 1,432,926</u>	4.42 %

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

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Weighted Average Rate</u>	<u>Amount</u>	<u>Weighted Average Rate</u>
Payable during year ending March 31,				
2025	\$ -	- %	\$ 647	1.57 %
2026	660	1.58	660	1.58
2027	1,210	2.78	1,210	2.78
2028	631	1.40	631	1.40
2029	641	1.41	641	1.41
2030	648	1.42	648	1.42
Beyond 2030	21,894	1.88	16,111	1.53
	<u>\$ 25,684</u>	1.88 %	<u>\$ 20,548</u>	1.59 %

Based upon Company loans pledged to the FHLB as of March 31, 2025, the company has additional borrowing capacity with the FHLB of up to \$905,749 subject to the purchase of up to \$27,172 of additional FHLB stock. In addition, the Company had in place \$130,000 in unsecured Federal funds lines of credit with correspondent banks, of which \$130,000 was unused and available for use, and a credit facility of \$484,163 with the Federal Reserve Bank of Boston using commercial loans and municipal bonds as collateral, of which \$484,163 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. Off-balance sheet commitments are analyzed as part of the allowance for credit losses process. Any resulting allowance is reflected in the consolidated balance sheets, and resulting credit loss expense (or reduction) is recorded in the consolidated statements of income.

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

	2025	2024
Commitments to originate loans	\$ 175,232	\$ 153,341
Unused lines of credit		
Commercial	708,065	720,749
Home equity	644,706	588,545
Consumer/Standby	45,398	33,602
Overdraft protection	37,478	38,045
Commercial letters of credit	5,233	5,553
Financial standby letters of credit	3,849	4,493
FHLBB letters of credit	348,110	413,770
Performance standby letters of credit	11,246	35,400
Gross notional amounts of swap contracts	1,344,371	956,428
Derivative mortgage interest rate lock commitments	36,773	26,810
Derivative mortgage loan sale commitments	54,254	38,844

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. FHLB letters of credit are guarantees issued by FHLB 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.

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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, 2025 and 2024, was \$5,814 and \$5,290, 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, 2025 and 2024, was \$7,150 and \$6,713, 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, 2025 and 2024, was \$1,380 and \$1,740, 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.

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

	2025	2024
Reconciliation of Benefit Obligation		
Obligation at April 1,	\$ 978	\$ 787
Service cost	22	28
Interest cost	50	37
Benefit payments	(99)	(72)
Actuarial loss	93	198
Obligation and funded status at March 31,	<u>\$ 1,044</u>	<u>\$ 978</u>
Net Periodic Postretirement Benefit Cost		
Service cost	\$ 22	\$ 28
Interest cost	50	37
Amortization of prior service credit	(20)	(20)
Amortization of actuarial gain	9	-
Net periodic postretirement benefit cost	<u>\$ 61</u>	<u>\$ 45</u>

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

	2025	2024
Discount Rate		
For measuring benefit obligation	5.27%	5.20%
For measuring net periodic postretirement benefit cost	5.20%	5.00%

For measurement purposes, a 6.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2025 and was assumed to decrease thereafter. Other information regarding the plan is as follows:

	2025	2024
Employer contribution	\$ 99	\$ 72
Benefits paid	99	72

Expected benefit payments for the ten years following March 31, 2025, are as follows:

2026	\$ 96
2027	100
2028	106
2029	64
2030	58
2031-2035	286

Management expects the Company's contribution to the plan in 2026 will approximate \$96.

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

	2025	2024
Net unrecognized actuarial loss	\$ (243)	\$ (159)
Unamortized prior service credit	54	75
	<u>\$ (189)</u>	<u>\$ (84)</u>

The following amount was recognized in other comprehensive income in 2025 and 2024:

	2025	2024
Net actuarial loss	\$ 84	\$ 198
Amortization of prior service credit	20	20
	<u>\$ 104</u>	<u>\$ 218</u>

The reclassification of amortization of the net actuarial 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.

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13. Income Taxes

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

	2025			2024		
	Federal	State	Total	Federal	State	Total
Current expense	\$ 4,101	\$ 694	\$ 4,795	\$ 2,895	\$ 443	\$ 3,338
Deferred (benefit) expense	(3,215)	(92)	(3,307)	(2,054)	56	(1,998)
Revaluation of deferred taxes	-	-	-	-	(2,914)	(2,914)
	<u>\$ 886</u>	<u>\$ 602</u>	<u>\$ 1,488</u>	<u>\$ 841</u>	<u>\$ (2,415)</u>	<u>\$ (1,574)</u>

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

	2025	2024
Statutory rate	21.0 %	21.0 %
Differences resulting from		
Net earnings on bank owned life insurance contracts	(8.0)	(6.2)
Municipal income	(2.9)	(3.4)
Tax credits, net of amortization	(2.4)	(3.6)
State income taxes, net of federal tax benefit	3.4	2.9
Revaluation of deferred taxes	-	(21.2)
Qualified transportation fringe benefits	0.4	0.4
Other	(0.9)	(1.4)
Effective rate	<u>10.6 %</u>	<u>(11.5) %</u>

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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:

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 7,720	\$ 7,539
Accrued benefit and compensation costs	3,579	3,549
Deferred compensation	3,829	3,718
Accrued expenses	848	878
Unrealized losses on investment securities available for sale	47,702	60,342
Unrealized losses on equity securities available for sale	402	418
Other	1,497	1,177
Charitable carryforward	-	99
Tax credits	4,582	3,223
Fair value adjustments from acquisition	179	250
Paycheck Protection Program service fees	3	5
Gross deferred tax assets	<u>70,341</u>	<u>81,198</u>
Deferred tax liabilities		
Premises and equipment	(9,064)	(10,987)
Loan origination costs	(3,399)	(3,448)
Intangibles/goodwill	(4,694)	(4,696)
Loan servicing rights	(1,866)	(1,567)
Other	(1,150)	(2,598)
Gross deferred tax liabilities	<u>(20,173)</u>	<u>(23,296)</u>
Net deferred tax asset	<u>\$ 50,168</u>	<u>\$ 57,902</u>

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:

	2025	2024
Deferred tax cost allocated to capital	\$ 11,041	\$ 19
Deferred tax benefit allocated to operations	<u>(3,307)</u>	<u>(1,998)</u>
Total deferred tax cost (benefit)	<u>\$ 7,734</u>	<u>\$ (1,979)</u>

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 \$3,030 have not been provided on this amount because the Company does not intend to use the tax reserve other than to absorb loan losses.

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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, 2025, the Company had a capital conservation buffer of 3.56%, which was in excess of the regulatory requirement of 2.5%. As of March 31, 2025, management believes that the Company meets all capital adequacy requirements to which it is subject.

As of March 31, 2025, 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.

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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	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2025						
Total capital (to risk-weighted assets)	\$ 606,102	11.56 %	\$ 550,333	10.50 %	\$ 524,126	10.00 %
Tier 1 capital (to risk-weighted assets)	571,118	10.90	445,507	8.50	419,301	8.00
Common equity tier 1 (to risk-weighted assets)	571,118	10.90	366,888	7.00	340,682	6.50
Tier 1 leverage capital (to average assets)	571,118	7.79	293,339	4.00	366,674	5.00
As of March 31, 2024						
Total capital (to risk-weighted assets)	\$ 592,547	11.88 %	\$ 523,859	10.50 %	\$ 498,914	10.00 %
Tier 1 capital (to risk-weighted assets)	558,362	11.19	424,077	8.50	399,131	8.00
Common equity tier 1 (to risk-weighted assets)	558,362	11.19	349,240	7.00	324,294	6.50
Tier 1 leverage capital (to average assets)	558,362	7.58	294,494	4.00	368,117	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, 2025, and 2024, the Bank maintained the two segregated accounts in the amounts of \$500 and \$250 in accordance with regulatory guidelines. As of March 31, 2025, and 2024, the Bank, through WM-NH, held capital in the amount of approximately \$1,003 and \$1,213, 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.

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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 individually evaluated loans, if collateral dependent, are discounted to the appraised value of the collateral, less costs to sell. As such, the Company classifies individually evaluated 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.

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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.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2025:

	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
U.S. government and GSE obligations	\$ -	\$ 173,891	\$ -	\$ 173,891
Other bonds and obligations	-	180,432	-	180,432
Mortgage-backed securities	-	1,203,420	-	1,203,420
Equity securities	10,954	-	-	10,954
Mortgage loans held for sale	-	17,894	-	17,894
Interest rate lock commitments	-	564	-	564
Forward sale commitments	-	837	-	837
Interest rate swaps	-	23,826	-	23,826
Liabilities				
Forward sale commitments	-	503	-	503
Interest rate swaps	-	21,957	-	21,957

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
U.S. government and GSE obligations	\$ -	\$ 166,398	\$ -	\$ 166,398
Other bonds and obligations	-	168,232	-	168,232
Mortgage-backed securities	-	1,325,836	-	1,325,836
Equity securities	11,258	-	-	11,258
Mortgage loans held for sale	-	12,307	-	12,307
Interest rate lock commitments	-	544	-	544
Forward sale commitments	-	105	-	105
Interest rate swaps	-	32,808	-	32,808
Liabilities				
Forward sale commitments	-	61	-	61
Interest rate swaps	-	23,784	-	23,784

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The following table summarizes financial assets measured at fair value on a non-recurring basis as of March 31, 2025:

	Level 1	Level 2	Level 3	Total
Assets				
Loan servicing rights	\$ -	\$ 13,220	\$ -	\$ 13,220
Individually evaluated	-	124	-	124

The following table summarizes financial assets measured at fair value on a non-recurring basis as of March 31, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Loan servicing rights	\$ -	\$ 11,723	\$ -	\$ 11,723
Individually evaluated	-	788	-	788
OREO	-	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 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.

Cash Flow Hedges

Interest rate swaps with notional amounts totaling \$675,000 and \$220,000 as of March 31, 2025 and 2024, respectively, were designated as cash flow hedges of certain wholesale funding and brokered certificate of deposits and were determined to be effective. As such, no amount of ineffectiveness has been included in net income. Therefore, the aggregate fair value of the swaps is recorded in other assets with changes in fair value recorded in other comprehensive income. Interest income recorded on these swap transactions totaled \$5,425 and \$3,950 during fiscal years ending 2025 and 2024 and is reported as a component of interest expense.

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Fair Value Hedges

Interest rate swaps with notional amounts totaling \$300,000 and \$350,000 as of March 31, 2025 and 2024, respectively, were designated as fair value portfolio layer hedges of certain fixed rate mortgages and were determined to be effective during fiscal year 2025. The Company expects the hedges to remain effective during the remaining terms of the swaps. Interest income recorded on these swap transactions totaled \$4,169 and \$2,718 during fiscal years ending March 31, 2025 and 2024, respectively.

Derivatives Not Designated as Hedges

The Company also enters into interest rate swaps with its loan customers. The notional amounts of interest rate swaps with its loan customers as of March 31, 2025 and 2024 were \$184,686 and \$193,214, respectively. The Company enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes. Because the derivatives have mirror image contractual terms, their changes in fair value offset one another in the consolidated statements of income.

The Company presents derivative positions gross on the consolidated balance sheets. The following table reflects the derivatives recorded on the consolidated balance sheets as of March 31:

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets				
Derivatives designated as hedges:				
Interest rate swaps related to FHLB Advances	\$ 450,000	\$ 2,471	\$ 220,000	\$ 4,946
Interest rate swaps related to investment securities available for sale	100,000	561	350,000	4,078
Derivatives not designated as hedging instruments:				
Interest rate swaps related to customer loans	184,686	20,794	193,214	23,784
Total included in other assets	<u>\$ 734,686</u>	<u>\$ 23,826</u>	<u>\$ 763,214</u>	<u>\$ 32,808</u>
Included in other liabilities				
Derivatives designated as hedges:				
Interest rate swaps related to FHLB Advances	\$ 225,000	\$ 191	\$ -	\$ -
Interest rate swaps related to investment securities available for sale	200,000	972	-	-
Derivatives not designated as hedging instruments:				
Interest rate swaps related to customer loans	184,686	20,794	193,214	23,784
Total included in other liabilities	<u>\$ 609,686</u>	<u>\$ 21,957</u>	<u>\$ 193,214</u>	<u>\$ 23,784</u>