BANGOR BANCORP, MHC AND ITS SUBSIDIARY

BANGOR SAVINGS BANK

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024 and 2023

Bangor Savings Bank

You matter more.®

Member FDIC

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Table of Contents
March 31, 2024 and 2023

Page(s)

Independent Auditor's Report 1

Consolidated Financial Statements

Balance Sheets 4

Statements of Income 5

Statements of Comprehensive Income (Loss) 6

Statements of Changes in Capital 7

Statements of Cash Flows 8

Notes to Financial Statements 9–46

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bangor Bancorp, MHC

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated financial statements of Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank (the Company), which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income (loss), changes in capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

We also have audited the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) (call report instructions), as of March 31, 2024, 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, 2024, based on criteria established in the Internal Control—Integrated Framework issued by COSO.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of April 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

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

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

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

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Other Matter

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

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 7, 2024

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Balance Sheets
March 31, 2024 and 2023

(in thousands of dollars)	2024	2023
Assets		
Cash and due from banks	$ 84,665	$ 226,554
Investment securities available for sale at fair value (amortized cost of $1,934,748 and $2,157,735, respectively), net of allowance for credit losses of $85 and $0, respectively	1,660,381	1,877,530
Equity securities	11,258	11,366
Federal Home Loan Bank of Boston stock	11,995	6,319
Loans	4,840,974	4,709,890
Less allowance for credit losses	32,063	36,799
Net loans	4,808,911	4,673,091
Premises and equipment, net	205,918	215,678
Bank owned life insurance	135,354	132,475
Goodwill	71,851	71,851
Other assets	224,076	195,278
Total assets	**$ 7,214,409**	**$ 7,410,142**
Liabilities and capital		
Liabilities		
Deposits	$ 5,233,217	$ 5,895,899
Borrowed funds	1,432,926	1,002,506
Other liabilities	132,480	119,635
Total liabilities	**6,798,623**	**7,018,040**
Capital		
Retained earnings	625,765	611,754
Accumulated other comprehensive loss	(209,979)	(219,652)
Total capital	**415,786**	**392,102**
Total liabilities and capital	**$ 7,214,409**	**$ 7,410,142**

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, 2024 and 2023

(in thousands of dollars)	2024	2023
Interest and dividend income		
Interest on loans	$ 210,782	$ 170,576
Interest and dividends on investment securities	41,843	39,701
Total interest and dividend income	**252,625**	**210,277**
Interest expense		
Interest on deposits	68,412	31,766
Interest on borrowed funds	50,459	16,029
Total interest expense	**118,871**	**47,795**
Net interest income	**133,754**	**162,482**
Total reduction in credit losses	**(4,694)**	**(11,500)**
Net interest income after reduction in credit losses	**138,448**	**173,982**
Non-interest income		
Deposit and branch services	8,846	9,396
Card services	24,445	24,619
Wealth management services	9,759	8,886
Mortgage sales	7,509	3,217
Payroll services	13,619	12,848
Bank owned life insurance	4,034	4,986
Loan services	3,787	3,043
Other fees and income	2,200	4,933
Total non-interest income	**74,199**	**71,928**
Net loss on sales of investment securities	**(967)**	**(3,968)**
Non-interest expense		
Compensation and benefits	113,406	112,328
Occupancy and equipment	26,426	24,703
Data and card processing	23,778	20,723
Regulatory assessments	5,766	4,048
Community support and marketing	5,115	6,490
Customer ATM rebates	3,818	3,694
Other expenses	19,606	18,348
Total non-interest expense	**197,915**	**190,334**
Income before income tax expense	**13,765**	**51,608**
Income tax (benefit) expense	**(1,574)**	**9,633**
Net income	**$ 15,339**	**$ 41,975**

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 (Loss)
Years Ended March 31, 2024 and 2023

(in thousands of dollars)	**2024**	**2023**
Net income	$ 15,339	$ 41,975
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available for sale:		
Unrealized gains (losses) on securities available for sale, net of tax (expense) benefit of ($1,824) and $27,872, respectively	3,546	(104,616)
Reclassification adjustment for realized losses on securities sold included in net income, net of tax benefit of ($203) and ($833), respectively [1]	764	3,135
Unrealized (losses) gains on postretirement plans, net of tax benefit (expense) of $46 and ($13), respectively	(172)	48
Unrealized gains on interest rate swaps, net of tax of $1,561 and $305, respectively	5,535	1,147
Other comprehensive income (loss)	9,673	(100,286)
Total comprehensive income (loss)	$ 25,012	$ (58,311)

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

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

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Changes in Capital
Years Ended March 31, 2024 and 2023

(in thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2022	$ 569,779	$ (119,366)	$ 450,413
Net income	41,975	-	41,975
Other comprehensive income (loss)			
Unrealized losses on securities available for sale	-	(101,481)	(101,481)
Unrealized gains on postretirement plans	-	48	48
Unrealized gains on interest rate swaps	-	1,147	1,147
Total comprehensive loss	41,975	(100,286)	(58,311)
Balance, March 31, 2023	611,754	(219,652)	392,102
Adoption of ASU No. 2016-13	(1,328)	-	(1,328)
Net income	15,339	-	15,339
Other comprehensive income (loss)			
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	15,339	9,673	25,012
Balance, March 31, 2024	$ 625,765	$ (209,979)	$ 415,786

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, 2024 and 2023

(in thousands of dollars)	2024	2023
Cash flows from operating activities		
Net income	$ 15,339	$ 41,975
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of premises and equipment	13,457	12,821
Amortization of intangible assets	153	286
Reduction in credit losses	(4,694)	(11,500)
Net increase in cash surrender value of bank owned life insurance	(2,879)	(3,187)
Net loss on sales of investment securities	967	3,968
Net recognized loss on equity securities	88	728
Net amortization of premiums on securities available for sale	6,081	9,742
Loans originated for resale	(330,716)	(140,753)
Proceeds from sales of loans	333,412	142,839
Net gain on sale of loans, net of value of servicing rights retained	(4,291)	(2,571)
Net (gain) loss on sale of bank premises and equipment	(413)	274
Deferred income tax provision	(1,998)	3,741
Net (increase) decrease in other assets	(9,888)	2,461
Net increase in other liabilities	5,490	12,519
Net cash provided by operating activities	20,108	73,343
Cash flows from investing activities		
Proceeds from sales and calls of securities available for sale	40,251	105,119
Proceeds from sales and calls of equity securities	109	80
Proceeds from maturities and prepayments of securities available for sale	193,460	250,109
Purchases of securities available for sale	(15,232)	(12,932)
Net (purchases) proceeds from redemptions of Federal Home Loan Bank of Boston stock	(5,676)	816
Net increase in loans	(128,956)	(735,323)
Purchases of premises and equipment	(15,995)	(24,838)
Proceeds from sales of premises and equipment	2,304	5
Purchases of bank owned life insurance	-	(10,000)
Proceeds from bank owned life insurance	-	2,299
Net cash provided by (used in) investing activities	70,265	(424,665)
Cash flows from financing activities		
Net (decrease) increase in deposits	(662,682)	140,906
Net increase in short-term borrowed funds	424,160	370,936
Net increase (decrease) in long-term borrowed funds	6,260	(460)
Net cash (used in) provided by financing activities	(232,262)	511,382
Net (decrease) increase in cash and cash equivalents	(141,889)	160,060
Cash and cash equivalents at beginning of year	226,554	66,494
Cash and cash equivalents at end of year	$ 84,665	$ 226,554
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	$ 119,338	$ 43,460
Income taxes	(2,460)	7,512
Noncash investing and financing activities		
Premises and equipment included in accounts payable	$ 193	$ 63
ROU assets recorded upon adoption of ASU No. 2016-02	-	21,055
Lease liabilities recorded upon adoption of ASU No. 2016-02	-	(21,055)

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

(in thousands of dollars)

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

Business

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

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

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

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

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

(in thousands of dollars)

The Company's primary market area covers 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 (loss), net of tax.

Premiums and discounts on investment securities are amortized or accreted to income over the expected life of the investment using a method that approximates the level yield method. Gains and losses on the sale of securities are recognized on a specific identification basis. For 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

(in thousands of dollars)

interest receivable on available-for-sale debt securities totaled $5,113 on March 31, 2024, 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 noninterest income. Derivative contracts must meet specific effectiveness tests (i.e., over time the change in their fair values due to the designated hedge risk must be within 80 to 125% of the opposite change in the fair values of the hedged assets or liabilities). Changes in fair value of the derivative contracts must be effective at offsetting changes in the fair value of the hedged items due to the designated hedge risk during the term of the hedge. Further, if the underlying financial instrument differs from the hedged asset or liability, there must be a clear economic relationship between the prices of the two financial instruments. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivatives contracts would be closed out and settled or classified as a trading activity.

The Company's objective in using derivatives is to add stability to interest income and to manage its exposure to adverse interest rate movements or other identified risks. To accomplish this objective, the Company periodically uses interest rate caps, floors, and swaps as part of its cash flow hedging strategy. Interest rate caps, floors, and swaps designated as cash flow hedges protect the Company against movements in interest rates above or below the instruments' strike rates over the life of the agreements. As of March 31, 2024 and 2023, other derivatives that are not designated as cash flow hedges because they do not meet strict hedge accounting requirements are likewise used to manage

(in thousands of dollars)

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.

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

(in thousands of dollars)

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

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's loan portfolio is segmented as follows based on the various risk profiles of the Company's loans:

- The commercial loan portfolio is segmented into two categories: (i) commercial, which is typically utilized for general business purposes and (ii) commercial real estate, which is collateralized by real estate.
- Retail loans are a homogenous group, generally consisting of standardized products that are smaller in amount and distributed over a larger number of individual borrowers.

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. The seven loan segments the Company utilizes are: first mortgage, home equity line of credit, home equity loan, consumer finance installment, consumer finance revolving, auto bank loan, and bank card (credit card).

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 expect 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.

(in thousands of dollars)

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 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 (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.

(in thousands of dollars)

The table below presents a rollforward for the year ended March 31, 2024 of the allowance for credit losses on off-balance sheet credit exposures held at period end:

Beginning balance prior to adoption of ASC 326	$ -
Impact of adopting ASC 326	2,484
Credit loss expense (reduction)	(362)
Loan charged off	-
Recoveries	-
Total ending allowance balance	$ 2,122

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) 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.

(in thousands of dollars)

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, 2024. The amount of impairment recognized is the amount by which the capitalized loan servicing rights for a stratum exceed their fair value.

Other Real Estate Owned (OREO)
OREO is comprised of properties or other assets acquired through (1) foreclosure proceedings, or (2) acceptance of a deed or title in lieu of foreclosure. OREO is initially recorded at fair value of the collateral less estimated costs to sell. Losses arising from the acquisition of such properties are charged against the 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.

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.

(in thousands of dollars)

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

Adoption of New Accounting Standards
On April 1, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and available-for-sale debt securities. It also applies to off-balance sheet credit exposures not accounted for as loans (loan commitments and other similar instruments). In addition, Topic 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt

(in thousands of dollars)

securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted Topic 326 using the modified retrospective method for all collectively evaluated loans measured at amortized cost and off-balance-sheet credit exposures; either the discounted cash flow method or collateral method for individually evaluated loans; and an LD/PGD method for securities. Results for reporting periods beginning after April 1, 2023 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $1,328 and a decrease in deferred taxes of $354 for the cumulative effect of adoption of ASU No. 2016-13. The transition adjustment includes a decrease in the allowance for credit losses for loans of $957, an increase in the allowance for credit losses for off-balance sheet credit exposures of $2,484, and an increase in the allowance for credit losses on available-for-sale debt securities of $155.

The following table illustrates the impact of Topic 326 at April 1, 2023:

	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
ACL on debt securities	$ 155	$ -	$ 155
Loans			
Residential real estate	3,407	13,930	(10,523)
Commercial real estate	28,329	11,277	17,052
Commercial	2,589	2,344	245
Consumer installment	68	468	(400)
Consumer revolving	1,449	4,301	(2,852)
Unallocated	-	4,479	(4,479)
ACL on loans	35,842	36,799	(957)
Liabilities:			
ACL on off-balance sheet credit exposures	$ 2,484	$ -	$ 2,484

In March 2022, the FASB issued ASU No. 2022-02, "*Financial Instruments – Credit Losses* (Topic 326): *Troubled Debt Restructurings and Vintage Disclosures*", which eliminates the accounting guidance for troubled debt restructurings, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. ASU No. 2022-02 became effective April 1, 2023, and did not have a material impact on the Company's consolidated financial statements. The timing of adoption of ASU No. 2022-02 was the same as the adoption of ASU No. 2016-13.

In March 2023, the FASB issued ASU No. 2023-02, "*Investments - Equity Method and Joint Ventures* (Topic 323): *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*". ASU 2023-02 expands the use of the proportional amortization method of accounting — currently allowed only for investments

(in thousands of dollars)

in low-income housing tax credit (LIHTC) structures — to equity investments in other tax credit structures that meet certain criteria. Common tax credit programs that investors access via tax equity structures and that may now be eligible for application of the proportional amortization method include: new markets tax credits, historic rehabilitation tax credit programs, and renewable energy tax credit programs (e.g., solar investment tax credits, on-shore wind production tax credits, and off-shore wind investment tax credits). Other programs that may arise through the Inflation Reduction Act of 2022 may also be eligible. The proportional amortization method results in (1) the tax credit investment being amortized in proportion to the allocation of tax credits and other tax benefits in each period and (2) net presentation within the income tax line item. This expansion to other investments could simplify the accounting for reporting entities and may provide users with a better understanding of these investments. The amendments also require incremental disclosures to help investors understand the financial statement impact of investments in tax credit structures. Additionally, the amendments remove specialized guidance for LIHTC investments not accounted for using the proportional amortization method and require those LIHTC investments to be accounted for using applicable GAAP.

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 7, 2024, which was the date the financial statements were available to be issued.

2. Investment Securities

A summary of investment securities available for sale as of March 31, 2024, 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	$ -	$ -	$ -	$ -	$ -
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	-
Maturing after 10 years but within 20 years	-	-	-	-	-
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)	68,319	-
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)	1,325,836	-
	$ 1,934,748	$ 627	$ (274,909)	$ 1,660,466	$ (85)

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, 2024, the amortized cost of the Company's investment securities with call or prepayment features was $1,774,983. Actual maturities may differ from contractual maturities on agency MBS

(in thousands of dollars)

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, 2024, were $40,251. The resulting realized gains and losses for the year ended March 31, 2024, were $0 and $967, respectively.

As of March 31, 2024, securities with an amortized cost of $921,971 were pledged to secure borrowed funds, public deposits, and for other purposes as compared with $1,469,917 as of March 31, 2023.

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)
	$ 12,048	$ (240)	$ 1,606,891	$ (272,722)

Unrealized losses on bonds 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.

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

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

(in thousands of dollars)

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

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

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

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

The table below presents a rollforward for the year ended March 31, 2024 of the allowance for credit losses on debt securities available-for-sale held at period end:

Beginning balance prior to adoption of ASC 326	$ -
Impact of adopting ASC 326	155
Credit loss expense (reduction)	(70)
Loan charged off	-
Recoveries	-
Total ending allowance balance	$ 85

3. Loans

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

	2024	2023
Residential real estate	$ 2,082,857	$ 2,147,878
Commercial real estate	1,487,354	1,446,847
Commercial	688,812	606,014
Consumer installment	33,767	31,799
Consumer revolving	549,385	479,674
Total loans	4,842,175	4,712,212
Net deferred fees	(1,201)	(2,322)
Allowance for credit losses	(32,063)	(36,799)
	$ 4,808,911	$ 4,673,091

(in thousands of dollars)

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:

	2024	2023
Beginning balance	$ 48,279	$ 52,550
Loans made/advanced and additions	847	156
Repayments and reductions	(2,777)	(4,427)
Ending balance	$ 46,349	$ 48,279

As of March 31, 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, 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	Non-Accrual Loans
Residential real estate	$ 6,212	$ -	$ 1,262	$ 7,474	$ 2,075,383	$ 2,082,857	$ -	$ 1,770
Commercial real estate	60	-	243	303	1,487,051	1,487,354	-	969
Commercial	103	44	925	1,072	687,740	688,812	-	1,522
Consumer installment	92	3	58	153	33,614	33,767	-	46
Consumer revolving	555	50	225	830	548,555	549,385	-	225
Total	$ 7,022	$ 97	$ 2,713	$ 9,832	$ 4,832,343	$ 4,842,175	$ -	$ 4,532

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

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing	Non-Accrual Loans
Residential real estate	$ 3,311	$ 441	$ 111	$ 3,864	$ 2,144,014	$ 2,147,878	$ -	$ 613
Commercial real estate	347	-	122	469	1,446,378	1,446,847	-	1,328
Commercial	292	212	110	614	605,400	606,014	-	614
Consumer installment	112	3	9	124	31,675	31,799	-	7
Consumer revolving	591	155	89	835	478,839	479,674	-	89
Total	$ 4,653	$ 811	$ 441	$ 5,906	$ 4,706,306	$ 4,712,212	$ -	$ 2,651

(in thousands of dollars)

The following table presents the amortized cost basis of loans on nonaccrual status as of March 31, 2024:

	Nonaccrual with No Allowance for Credit Loss	Total Nonaccrual	
		Apr 1, 2023	Mar 31, 2024
Residential real estate	$ 219	$ 613	$ 1,770
Commerical real estate	853	1,328	969
Commercial	1,041	614	1,522
Consumer installment	-	7	46
Consumer revolving	-	89	225
Total	$ 2,113	$ 2,651	$ 4,532

The Company recognized $170 of interest income on nonaccrual loans during the year ended March 31, 2024.

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
Commerical real estate	$ 667	$ -	$ 667
Commercial	-	121	121
Total	$ 667	$ 121	$ 788

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.

(in thousands of dollars)

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

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

As of March 31, 2024 and 2023, there were 5 and 4 loans, respectively, collateralized by residential real estate in the process of foreclosure with a total balance of $382 and $211, 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 Historic Loss Analyzer (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 scalers 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. As of March 31, 2024, the Company's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

(in thousands of dollars)

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.

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, 2024:

	Residential Real Estate	Commerical Real Estate	Commerical	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

(in thousands of dollars)

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

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

Risk Characteristics

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

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

The process of establishing the allowance for the Commercial portfolios begins when a loan officer initially assigns each loan a risk rating, using established credit criteria. Commercial outstandings and commitments are subject to review and validation annually by an independent consulting firm as

(in thousands of dollars)

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

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

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

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

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

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

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

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

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

8 Substandard
Loans in this category have a well-defined weakness such as deficit cash flow or operating losses that have affected, or may affect, the paying capacity of the borrower. Payment in full may rely on secondary repayment sources such as collateral liquidation or guarantor and the Company may incur some loss in the future if circumstances are not improved.

(in thousands of dollars)

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, 2024:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	$ 2,072,649	$ 1,461,063	$ 661,115	$ 33,451	$ 546,987	$ 4,775,267
Special mention (Grade 7)	3,523	7,730	5,904	46	704	17,906
Substandard (Grade 8)	6,684	18,560	21,793	270	1,694	49,002
Doubtful (Grade 9)	-	-	-	-	-	-
Total	$ 2,082,857	$ 1,487,354	$ 688,812	$ 33,767	$ 549,385	$ 4,842,175

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

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

The 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 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.

(in thousands of dollars)

The following table presents loans placed 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.

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. 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 Interst Rate Reduction	Other	Total Class of Financing Receivable
Commerical real estate	$ -	$ 182	$ 202	$ -	0.03%
Commercial	17	-	21	200	0.01%
Consumer revolving	-	-	62	-	0.01%
Total	$ 17	$ 182	$ 286	$ 200	0.01%

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, 2024:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Commerical real estate	$ -	$ -	$ 384	$ 384
Commercial	-	-	238	238
Total	$ -	$ -	$ 622	$ 622

(in thousands of dollars)

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
Commerical real estate	1.61%	20 years
Commerical	2.17%	
Consumer revolving	3.50%	2.3 years
Total	1.89%	14.81 years

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.

5. Loan Servicing

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

	2024	2023
Beginning balance	$ 5,946	$ 6,002
Net additions	1,975	902
Amortization	(797)	(958)
Ending balance	$ 7,124	$ 5,946

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 $1,035,413 and $857,130 as of March 31, 2024 and 2023, respectively.

Custodial escrow balances, including those maintained in connection with the foregoing loan servicing, were $5,328 and $6,609 as of March 31, 2024 and 2023, respectively, and are included in savings accounts.

(in thousands of dollars)

6. Premises and Equipment

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

	2024	2023
Land	$ 20,320	$ 19,183
Premises	194,786	184,527
Furniture and equipment	70,267	64,482
Leasehold improvements	9,176	7,771
Construction-in-progress	11,758	27,355
Total premises and equipment	306,307	303,318
Less accumulated depreciation	100,389	87,640
	$ 205,918	$ 215,678

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, 2024 and 2023, was $1,807 and $1,877, 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 30 years, some of which include renewal or termination options. The Company does not have any significant subleases nor finance leases.

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

	2024	2023
Right of use assets	$ 19,555	$ 20,824
Lease liabilities	(19,991)	(21,055)

There was no ROU lease impairment for the years ended March 31, 2024 and 2023.

Cash paid for amounts included in the measurement of lease liabilities totaled $1,603 and $1,645 for the years ended March 31, 2024 and 2023, respectively.

(in thousands of dollars)

Lease Obligations:

Future undiscounted lease payments for operating leases with initial terms of one year or more as of March 31, 2024, are as follows:

2025	$ 1,645
2026	1,665
2027	1,578
2028	1,619
2029	1,575
Thereafter	16,924
Total undiscounted lease payments	25,006
Less: imputed interest	(5,015)
Net lease liabilities	$ 19,991

Supplemental Operating Lease Information:

	2024	2023
Remaining lease term (years):		
Maximum	30	27
Minimum	<1	<1
Maximum discount rate	4.30%	2.61%
Minimum discount rate	1.59%	1.59%

8. Intangible Assets

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

	2024	2023	Estimated Amortization Period (in Years)
Customer relationships	$ 2,464	$ 2,464	7-15
Intellectual property	88	88	7
Noncompete agreements	25	25	5
Accumulated amortization	(2,520)	(2,367)	
	$ 57	$ 210	

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

(in thousands of dollars)

9. Deposits

The following table shows deposit balances as of March 31:

	2024	2023
Demand deposit accounts	$ 1,395,630	$ 1,501,218
NOW accounts	1,106,698	1,103,553
Savings accounts	971,461	1,136,171
Money market accounts	1,010,588	1,110,206
Time deposits - under $250,000	420,009	348,627
Time deposits - $250,000 or more	328,831	696,124
	$ 5,233,217	$ 5,895,899

Included within the table above are brokered deposits of $193,384 and $581,952 as of March 31, 2024 and 2023, respectively.

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

	2024	2023
Within 1 year	$ 645,042	$ 809,034
1 to 2 years	67,884	194,094
2 to 3 years	17,007	16,459
3 to 4 years	8,861	12,864
4 to 5 years	10,046	12,300
	$ 748,840	$ 1,044,751

10. Borrowed Funds

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

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

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 are collateralized by U.S. Treasuries, U.S. agency securities, and U.S. agency mortgage-backed securities.

(in thousands of dollars)

The following table shows borrowed funds as of March 31:

	2024		2023	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Short-term borrowed funds				
Customer repurchase agreements	$ 443,370	3.44 %	$ 569,218	2.71 %
Federal Discount Window	794,000	4.80	399,000	4.43
Short Term Advances from Federal Home Loan Bank	120,008	5.55	20,000	5.25
Daily Cash from Federal Home Loan Bank	55,000	5.55	-	0.00
	1,412,378	4.46	988,218	3.46
Long-term borrowed funds				
Long-term advances from FHLBB	20,548	1.59	14,288	1.50
	20,548	1.59	14,288	1.50
Total borrowed funds	$ 1,432,926	4.42 %	$ 1,002,506	3.43 %

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

	2024		2023	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Payable during year ending March 31,				
2024	$ -	- %	$ 466	1.52 %
2025	647	1.57	473	1.53
2026	660	1.58	482	1.55
2027	1,210	2.78	1,028	2.97
2028	631	1.40	447	1.28
2029	641	1.41	453	1.29
Beyond 2029	16,759	1.52	10,939	1.38
	$ 20,548	1.59 %	$ 14,288	1.50 %

Based upon Company loans pledged to the FHLBB as of March 31, 2024, the company has additional borrowing capacity with the FHLB of up to $815,179 subject to the purchase of up to $24,455 of additional FHLBB stock. In addition, the Company had in place $140,000 in unsecured Federal funds lines of credit with correspondent banks, of which $140,000 was unused and available for use, and a credit facility of $290,170 with the Federal Reserve Bank of Boston using commercial loans and municipal bonds as collateral, of which $290,170 was unused and available for use.

(in thousands of dollars)

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 (reduction) is recorded in the consolidated statements of income.

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

	2024	2023
Commitments to originate loans	$ 153,341	$ 175,529
Unused lines of credit		
Commercial	720,749	680,248
Home equity	588,545	574,086
Consumer/Standby	33,602	23,145
Overdraft protection	38,045	38,698
Commercial letters of credit	5,553	3,020
Financial standby letters of credit	4,493	3,657
FHLBB letters of credit	413,770	504,945
Performance standby letters of credit	35,400	6,268
Gross notional amounts of swap contracts	956,428	749,524
Business credit card recourse agreements	-	270
Derivative mortgage interest rate lock commitments	26,810	21,266
Derivative mortgage loan sale commitments	38,844	33,301

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.

(in thousands of dollars)

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

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

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, 2024 and 2023, was $5,290 and $5,573, 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, 2024 and 2023, was $6,713 and $8,856, 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, 2024 and 2023, was $1,740 and $1,608, respectively.

Postretirement Benefits

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

(in thousands of dollars)

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

	2024	2023
Reconciliation of Benefit Obligation		
Obligation at April 1,	$ 787	$ 891
Service cost	28	33
Interest cost	37	26
Benefit payments	(72)	(82)
Actuarial loss (gain)	198	(81)
Obligation and funded status at March 31,	$ 978	$ 787
Net Periodic Postretirement Benefit Cost		
Service cost	$ 28	$ 33
Interest cost	37	26
Amortization of prior service credit	(20)	(20)
Net periodic postretirement benefit cost	$ 45	$ 39

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

	2024	2023
Discount Rate		
For measuring benefit obligation	5.20%	5.00%
For measuring net periodic postretirement benefit cost	5.00%	3.13%

For measurement purposes, a 6.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2024 and was assumed to decrease thereafter. Other information regarding the plan is as follows:

	2024	2023
Employer contribution	$ 72	$ 82
Benefits paid	72	82

Expected benefit payments for the ten years following March 31, 2024, are as follows:

2025	$ 90
2026	77
2027	79
2028	77
2029	57
2030-2034	265

Management expects the Company’s contribution to the plan in 2025 will approximate $90.

(in thousands of dollars)

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

	2024	2023
Net unrecognized actuarial gain (loss)	$ (159)	$ 38
Unamortized prior service credit	75	95
	$ (84)	$ 133

The following amount was recognized in other comprehensive income (loss) in 2024 and 2023:

	2024	2023
Net actuarial loss (gain)	$ 198	$ (81)
Amortization of prior service credit	20	20
	$ 218	$ (61)

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

13. Income Taxes

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

	2024			2023		
	Federal	State	Total	Federal	State	Total
Current expense	$ 2,895	$ 443	$ 3,338	$ 4,913	$ 979	$ 5,892
Deferred expense (benefit)	(2,054)	56	(1,998)	3,741	-	3,741
Revaluation of deferred taxes	-	(2,914)	(2,914)	-	-	-
	$ 841	$ (2,415)	$ (1,574)	$ 8,654	$ 979	$ 9,633

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

	2024	2023
Statutory rate	21.0 %	21.0 %
Differences resulting from		
Net earnings on bank owned life insurance contracts	(6.2)	(2.0)
Municipal income	(3.4)	(0.7)
Tax credits, net of amortization	(3.6)	(1.0)
State income taxes, net of federal tax benefit	2.9	1.5
Revaluation of deferred taxes	(21.2)	-
Qualified transportation fringe benefits	0.4	0.1
Other	(1.4)	(0.2)
Effective rate	(11.5) %	18.7 %

(in thousands of dollars)

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

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 7,539	$ 7,720
Accrued benefit and compensation costs	3,549	3,280
Deferred compensation	3,718	2,912
Accrued expenses	878	1,163
Unrealized losses on investment securities available for sale	60,342	58,843
Unrealized losses on equity securities available for sale	418	377
Other	1,177	1,646
Charitable carryforward	99	-
Tax credits	3,223	57
Fair value adjustments from acquisition	250	267
Paycheck Protection Program service fees	5	15
Gross deferred tax assets	81,198	76,280
Deferred tax liabilities		
Premises and equipment	(10,987)	(9,579)
Loan origination costs	(3,448)	(3,320)
Intangibles/goodwill	(4,696)	(4,506)
Loan servicing rights	(1,567)	(1,249)
Other	(2,598)	(1,588)
Gross deferred tax liabilities	(23,296)	(20,242)
Net deferred tax asset	$ 57,902	$ 56,038

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:

	2024	2023
Deferred tax cost (benefit) allocated to capital	$ 19	$ (26,657)
Deferred tax (benefit) cost allocated to operations	(1,998)	3,741
Total deferred tax benefit	$ (1,979)	$ (22,916)

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.

(in thousands of dollars)

14. Regulatory Capital Requirements

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

Under the Basel III regulatory capital framework, the quantitative measures established to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total, Tier 1 capital, and common equity Tier 1 (as defined) to risk-weighted assets (as defined), and of Tier 1 capital to average assets, or leverage ratio (as defined). These guidelines apply to the Company on a consolidated basis. In addition to these requirements, the banking organization must maintain a 2.5% capital conservation buffer consisting of common tier 1 equity. As of March 31, 2024, the Company had a capital conservation buffer of 3.88%, which was in excess of the regulatory requirement of 2.5%. As of March 31, 2024, management believes that the Company meets all capital adequacy requirements to which it is subject.

As of March 31, 2024, the most recent notification from the FDIC categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes would cause a change in the Company's categorization.

(in thousands of dollars)

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

	Actual		For Capital Adequacy Under Basel III		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of March 31, 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
As of March 31, 2023						
Total capital (to risk-weighted assets)	$ 581,047	12.02 %	$ 507,765	10.50 %	$ 483,586	10.00 %
Tier 1 capital (to risk-weighted assets)	544,248	11.25	411,048	8.50	386,869	8.00
Common equity tier 1 (to risk-weighted assets)	544,248	11.25	338,510	7.00	314,331	6.50
Tier 1 leverage capital (to average assets)	544,248	7.29	298,539	4.00	373,174	5.00

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, 2024, and 2023, the Bank maintained the two segregated accounts in the amounts of $500 and $250 in accordance with regulatory guidelines. As of March 31, 2024, and 2023, the Bank, through WM-NH, held capital in the amount of approximately $1,213 and $1,514, respectively, of which the two segregated balances were a component.

15. Fair Value

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

(in thousands of dollars)

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

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

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

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

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

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

Loans
Fair values of 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.

(in thousands of dollars)

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, 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	-	33,039	-	33,039
Liabilities				
Forward sale commitments	-	61	-	61
Interest rate swaps	-	24,015	-	24,015

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

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

(in thousands of dollars)

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	$ -	$ 7,124	$ -	$ 7,124
Individually evaluated	-	788	-	788
Other real estate owned	-	4,722	-	4,722

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

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

16. Interest Rate Swaps

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

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

	2024 Asset	2024 Liability	2023 Asset	2023 Liability
Swaps fixed/pay floating	$ 779	$ 23,236	$ 243	$ 19,184
Swaps floating/pay fixed	23,236	779	19,184	243
	$ 24,015	$ 24,015	$ 19,427	$ 19,427

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

	2024	2023
Swaps fixed/pay floating	$ 193,214	$ 193,995
Swaps floating/pay fixed	193,214	193,995

(in thousands of dollars)

The Company also uses receive variable/pay fixed interest rate swaps to hedge variable rate liabilities and fixed rate assets in an effort to strategically manage interest rate sensitivity. The Company entered into interest rate swap agreements with other parties to exchange net payment streams on specified notional principal amounts, whereby the Company receives the floating variable rate and pays the fixed rate. At March 31, 2024, the Company held variable rate liability swap agreements totaling $220,000 notional and asset swap agreements totaling $350,000 notional. At March 31, 2024, and 2023, the Company had interest rate swap agreements with notional amounts totaling $570,000 and $370,000, respectively.

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

The terms of the interest rate swap agreements at March 31, 2024, were as follows:

Notional Amount	Fixed Rate	Variable Rate	Maturity Date	Fair Value
$ 10,000	1.89 %	5.58 %	6/14/2024	$ 75
10,000	1.89	5.58	6/14/2024	75
25,000	3.54	5.32	1/19/2026	430
25,000	3.54	5.32	1/19/2026	430
25,000	3.54	5.32	1/19/2026	430
25,000	3.54	5.32	1/19/2026	430
25,000	3.17	5.32	1/19/2028	769
25,000	3.17	5.32	1/19/2028	769
25,000	3.17	5.32	1/19/2028	769
25,000	3.17	5.32	1/19/2028	769
50,000	3.78	5.32	3/15/2025	546
50,000	3.57	5.32	3/15/2026	845
50,000	3.31	5.32	3/15/2028	1,295
50,000	3.95	5.32	2/7/2027	348
50,000	3.95	5.32	2/7/2027	348
50,000	3.95	5.32	2/7/2027	348
50,000	3.95	5.32	2/7/2027	348

(in thousands of dollars)

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

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