



Federal Deposit Insurance Corporation

550 17th St. NW Washington DC, 20429

Division of Risk Management Supervision

May 23, 2017

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Board of Trustees
Kennebunk Savings Bank
P.O. Box 28
104 Main Street
Kennebunk, Maine 04043

RE: Notice of Intent to Convert to Stock Form and Interim Merger Application

Dear Members of the Board:

The notice to effect a mutual holding company reorganization with organization of interim institutions and a merger to facilitate a conversion from mutual to stock form filed by Kennebunk Savings Bank, Kennebunk, Maine (Bank), was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 – 303.163, 12 C.F.R. 303 Subpart D, and other pertinent regulations. Based on the information presented and representations made, the FDIC poses no objection to the proposed transactions, subject to the conditions set forth herein and in the Order and Basis for Corporation Approval (Order) approving the Bank Merger Act application. Certain conditions stated in the Order must be met on an ongoing basis.

Please provide the Boston Area Office (BAO) written evidence that the Bank's Plan of Reorganization to Mutual Holding Company Structure was approved by the affirmative vote of at least a majority of the votes eligible to be cast by the Bank's depositors at a special meeting and notify the BAO in writing when the proposed transaction has been consummated. Should you have any questions, contact Case Manager Rebecca M. McAweeney at (781) 794-5520.

If an extension of the time limit in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to Regional Director John F. Vogel at 350 Fifth Avenue, Suite 1200, New York, New York 10118.

Sincerely,

/s/

James C. Watkins
Senior Deputy Director

Enclosure: Order and Basis for Corporation Approval

cc: Aaron M. Kaslow
Kilpatrick Townsend & Stockton LLP
607 14th Street NW, Suite 900
Washington, D.C. 20005-2018

Honorable Lloyd P. LaFountain, III
Superintendent
Maine Bureau of Financial Institutions
36 State House Station
Augusta, Maine 04333-0036

Maureen B. Savage
Vice President
Federal Reserve Bank of Boston
600 Atlantic Avenue H-3
Boston, Massachusetts 02210

FEDERAL DEPOSIT INSURANCE CORPORATION

Kennebunk Savings Bank
Kennebunk, Maine

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) of the Federal Deposit Insurance (FDI) Act, Kennebunk Savings Bank, Kennebunk, Maine, (Mutual Institution) currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total assets of \$1,122,173,000 and total deposits of \$959,783,000 as of March 31, 2017, filed an application (Application) for the FDIC's consent to merge with Kennebunk Two Savings Bank, Kennebunk, Maine, a proposed *de novo* interim State-chartered stock savings bank. The Application was filed in conjunction with a Notice of Intent to Convert to Stock Form (Notice) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 – 303.163 and other pertinent regulations.

The proposed transaction is to effect the Mutual Institution's Plan of Reorganization into a Mutual Holding Company Structure (Plan) which, solely to facilitate such an undertaking, provides for the following:

- Mutual Institution will organize an interim Maine-chartered investor-owned universal bank, Kennebunk One Savings Bank (Interim One) and constructively transfer a substantial part of its assets and liabilities to Interim One, pursuant to Maine law;
- Interim One will organize a mid-tier Maryland stock holding company, Kennebunk Savings Bancorp, Inc., as a wholly-owned subsidiary;
- Interim One will organize an interim *de novo* Maine-chartered universal bank, Kennebunk Two Savings Bank (Interim Two), and Interim One will constructively transfer the assets and liabilities that were previously transferred to it to Interim Two;
- Mutual Institution will exchange its charter to become Kennebunk Savings Bank, a Maine-chartered stock bank; simultaneously, Interim One will cancel any outstanding stock, convert to a mutual financial institution, and reorganize to become a mutual holding company, Kennebunk Savings Bancorp, MHC; and
- Interim Two will merge with and into Kennebunk Savings Bank, with Kennebunk Savings Bank as the legally surviving entity.

Upon consummation of the proposed transaction, the deposits of Kennebunk Savings Bank will be insured by the DIF. Kennebunk Savings Bank will be a stock bank that is wholly owned by Kennebunk Savings Bancorp, Inc. which in turn is wholly owned by Kennebunk Savings Bancorp, MHC.

Following the consummation of the proposed transaction, Kennebunk Savings Bank will operate the same banking business with the same management at the same locations now being served by the Mutual Institution, including its main office at 104 Main Street, Kennebunk, Maine. The proposed transaction will not alter the competitive structure of banking in the market served by Kennebunk Savings Bank.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of the proponent, disclosed no inconsistencies with the purposes of the CRA. Kennebunk Savings Bank is expected to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the Application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent bank and the resultant bank, the convenience and needs of the community to be served, and the effect of the proposed transaction on competition. The FDIC has also taken into consideration the effectiveness of the insured depository institution involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the U.S. banking or financial system.

Having found favorably on all statutory factors, the FDIC hereby approves the Application, subject to the following conditions, some of which are continuing in nature:

1. Kennebunk Savings Bank shall provide written evidence that the Plan was approved by the affirmative vote of at least a majority of the votes eligible to be cast by Kennebunk Savings Bank's depositors at a special meeting.
2. Kennebunk Savings Bank shall provide written evidence that all necessary final approvals regarding the proposed transaction have been obtained from the appropriate Federal and state authorities.
3. That, except for the issuance of Kennebunk Savings Bank stock to Kennebunk Savings Bancorp, MHC and the contribution of that stock by Kennebunk Savings Bancorp, MHC to Kennebunk Savings Bancorp, Inc., no shares of stock of Kennebunk Savings Bank shall be sold, transferred, or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from, the FDIC New York Regional Director.
4. That, prior to a sale, transfer or other disposition of any shares of Kennebunk Savings Bancorp, Inc. by Kennebunk Savings Bancorp, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Kennebunk Savings Bancorp, MHC, to stock form, Kennebunk Savings Bank shall provide written notification to the FDIC New York Regional Director and provide the FDIC with copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition, or conversion.
5. That, should any shares of stock of Kennebunk Savings Bank or Kennebunk Savings Bancorp, Inc. be issued to persons other than Kennebunk Savings Bancorp, Inc. and Kennebunk Savings Bancorp, MHC, any dividends waived by Kennebunk Savings Bancorp, MHC must be retained by Kennebunk Savings Bancorp, Inc. or Kennebunk Savings Bank and segregated, earmarked, or otherwise identified on its books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent

conversion of Kennebunk Savings Bancorp, MHC to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by any means including through dividend payments or at liquidation.

6. That any proposed change in senior executive officers or the board of trustees, prior to the consummation of the proposed transaction, will render this approval null and void unless the Bank provides written notice to, and receives written non-objection from, the FDIC New York Regional Director prior to the consummation of the proposed transaction.
7. That, for a period of three (3) years after the close of the proposed transaction, any material deviation from Kennebunk Savings Bank's business plan submitted to the FDIC (including, but not limited to, any merger, acquisition or business combination), will require prior written notice to, and the receipt of written non-objection from, the FDIC New York Regional Director prior to implementation of such material deviation from the business plan.
8. Kennebunk Savings Bank's conversion into a stock bank and merger with the interim bank shall only be consummated on the same date as the consummation of all of the other steps of the Plan, as proposed in the notices and applications submitted to the FDIC.
9. That the proposed transaction may not be consummated later than six months after the date of this Order unless such period is extended for good cause by the FDIC.
10. That Kennebunk Savings Bank shall notify the FDIC New York Regional Director as soon as it becomes aware of any material change in the facts and circumstances prior to the consummation of the proposed transaction.
11. That, until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to the delegated authority of the FDIC Board of Directors.

Dated at Washington, D.C. this 23rd day of MAY, 2017.

/s/

James C. Watkins
Senior Deputy Director
Division of Risk Management Supervision