



Kennebunk Savings 2009 Financial Report



Money. Life. Options.

These three words have become the tag line for our focus at today's Kennebunk Savings. Our focus on teamwork, ability to put the customer first, and approach to helping each customer assess and improve their entire financial picture characterizes our unique approach to doing business. Whether customers ask "How is a community bank different from a big bank?" "Is my flooded basement covered on my homeowners' policy?*" or "What's the difference between an annuity and a retirement account?†" a team of professionals is ready with an answer. Listening to questions and providing access to solutions that help our customers reach their financial objectives is what we all do best.

That distinction of what sets us apart became apparent as we tackled our rebranding campaign last year. We realized that we needed to let all our customers and potential customers know about the value and convenience our organization provides — one stop shopping for all their financial needs. We embarked on a highly visible initiative to deliver our message, including the new business line names and the launch of the rebranding campaign. We changed Morris Insurance to Kennebunk Savings Insurance* and Kennebunk Financial Services to Kennebunk Investment Services†.



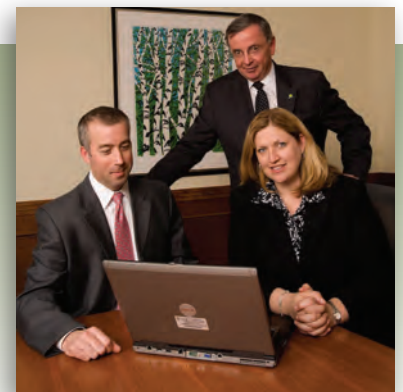
Brad Paige, President and CEO

We also debuted our new logo, preserving the historic Lafayette Elm but with an updated flair. Throughout our York County footprint, we changed the logo on everything; who knew that it appeared on over 350 different items — from signs and letterhead to ATMs, doors, computer screens and key chains?! Our brand advertising campaign and redesigned website complemented our core message —that together, Kennebunk Savings, Kennebunk Savings Insurance* and Kennebunk Investment Services† provide access to a full spectrum of financial services.

On the cover: Karen L. Kimball, Kennebunk Savings Insurance Personal Lines Agent, John Gurski, Kennebunk Investment Services Vice President, and Lynn Howe, Kennebunk Savings Vice President Commercial Lending

"Doing what's right for our customers has always been at the heart of what we do."

Left: Ryan Hale, Kennebunk Investment Services Vice President, Dick Carmichael, Kennebunk Savings Insurance Senior Vice President and Sales Manager, and Kim Vieira, Kennebunk Savings Vice President, Commercial Lending



LETTER from the PRESIDENT

Meanwhile, behind the scenes we worked on tightening up our budget, knowing that the best way to ensure our long-term success is to focus on being a profitable and well-run institution.

Budget planning was a challenge, however our year-end results reflected our ability to manage interest rate margin, control expenses (thanks to the efforts of all employees), and generate non-interest income.

We ended 2009 with a net income of nearly \$3.5 million, which resulted in a 0.45% return on assets (ROA). While ROA was below our historical average, it reflects exceptional effort and a solid result in a very difficult year. Our net interest margin, historically one of the keys to our success, was 3.95% and once again at the top of our peer group. Of note, the Bank and our customers have not been immune to the local, regional and national economic trends. As such, we made a substantial \$5.7 million contribution to our Allowance for Loan Losses in 2009 to offset challenges presented by some of our struggling business and retail borrowers.

As a result of our earnings and a slight downsizing of our balance sheet, our capital increased from a Tier 1 ratio of 8.83 to 9.32. This increase provides a further boost to our already well-capitalized standing, and thereby ensures we have the resources available to support future growth and the strength to weather potential further financial uncertainty.

Moving into 2010, the Board of Trustees, the Senior Management team and I are cautiously optimistic about

the economy and our financial performance. While positive economic indicators are appearing, we are very much aware of the fact that prior recessions have generally left continued effects on the American economy for a period of several years after a technical recovery. As we work toward normalized earnings and build plans to take advantage of the opportunities that a recovery will present, we are cognizant of the potential lingering effects of the recent recession.

Despite all of the challenges we encounter in the current marketplace, I remain extremely proud of all the efforts made by us at Kennebunk Savings, Kennebunk Savings Insurance* and Kennebunk Investment Services†. Our commitment to the community has resulted in over \$7,000,000 being invested in our local nonprofits over the past 15 years, and it doesn't stop there. Our employees approach each day with our customers at the forefront of their minds and continue to help us fulfill our mission to be an integral part of the community. Their outstanding and unsurpassed commitment to our communities was demonstrated by their contribution of over 7,700 hours of volunteer time at local nonprofits. I remain extremely proud and honored to be able to say that I work side-by-side with some of the most dedicated employees, at the premier financial organization in Maine, who understand our customers' needs for Money, Life and Options.



"Working collaboratively makes a big difference to our customers," says Lynn Howe, Kennebunk Savings Commercial Loan Officer and VP Lending Team Leader.

Right: Lynn Howe, Karen Kimball, Kennebunk Savings Insurance Personal Lines Agent, and John Gurski, Kennebunk Investment Services Vice President

STATEMENT OF CONDITION

December 31, 2009

Interest Income and Expense

Interest & Fees on Loans	\$ 38,798,541
Interest & Dividends on Securities	3,378,975
Interest on Deposits With Banks	37,332
Total Interest Income	<u>42,214,848</u>
Interest Expense on Deposits	7,302,410
Interest Expense on Borrowed Funds	<u>2,866,356</u>
Net Interest Income	32,046,082
Non-Interest Income	8,461,123
Gain on Sale of Securities	<u>10,697</u>
Income Before Operating Expenses & Taxes	<u>40,517,902</u>

Other Expenses

Salaries & Benefits	16,897,686
Bank Premises	4,512,769
Provision for Loan Losses	5,352,000
Other Non-Interest Expenses	<u>8,972,785</u>
Total Other Expenses	<u>35,735,240</u>
Income Before Taxes	4,782,662
Income Taxes	<u>1,318,200</u>
NET INCOME	<u>\$ 3,464,462</u>

Kennebunk Savings Member FDIC  Equal Housing Lender

*Some insurance and fixed annuity products are offered and sold by Kennebunk Savings Insurance, a subsidiary of Kennebunk Savings Bank.

†Securities, advisory services and insurance products offered through LPL Financial and its affiliates, A Registered Investment Advisor, Member FINRA/SIPC. Kennebunk Savings Bank is not a registered broker/dealer and is not affiliated with LPL Financial.

**INVESTMENT AND INSURANCE PRODUCTS ARE: NOT FDIC INSURED • NOT BANK GUARANTEED
MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**



“We embarked on a highly visible initiative to deliver our message, including the new business line names and the launch of the rebranding campaign.”

Brad Paige, Kennebunk Savings President and CEO, Steve Morris, Kennebunk Savings Insurance President and Paul Wolf, Kennebunk Investment Services President

FINANCIAL STATEMENT

December 31, 2009

ASSETS

Cash on Hand and Due from Banks	\$ 10,955,975
Securities Available for Sale	90,793,852
Federal Home Loan Bank Stock	4,809,300
Loans	642,267,822
Less Allowances for Loan Losses	<u>11,093,593</u>
Net Loans	631,174,229
Accrued Interest Receivable	3,099,805
Bank Premises, Net of Depreciation	17,723,214
Real Estate Acquired	0
Income Taxes Deferred	9,607,363
Other Assets	<u>26,139,472</u>
TOTAL ASSETS	<u><u>\$ 794,303,210</u></u>

LIABILITIES

Deposit Accounts	
Demand Accounts	\$ 119,697,687
Interest-Bearing Checking Accounts	73,525,445
Money Market Accounts	20,965,419
Certificates of Deposit	93,836,256
Passbook & Statement Savings	329,558,986
Christmas Clubs	<u>158,964</u>
Total Deposit Accounts	637,742,757
Other Borrowed Money	60,465,445
Accrued Interest Payable	347,136
Other Liabilities	<u>22,296,500</u>
TOTAL LIABILITIES	720,851,838

NET WORTH

Surplus	9,000,000
Undivided Profits	69,662,193
Accumulated Other Comprehensive Gain/(Loss) Income	<u>(5,210,821)</u>
Total Net Worth	73,451,372
TOTAL LIABILITIES AND NET WORTH	<u><u>\$ 794,303,210</u></u>

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Milda Castner
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