

PUBLIC DISCLOSURE

June 12, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kennebunk Savings Bank
Certificate Number: 13063

104 Main Street
Kennebunk, Maine 04043

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- The institution originated a high percentage of loans within its assessment area.
- The geographic distribution of loans reflects poor penetration throughout the assessment area.
- The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes.
- The institution makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution made an adequate level of community development loans.

The Investment Test is rated High Satisfactory.

- The bank made a significant level of qualified community development investments and donations.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank occasionally uses innovative and/or complex investments to support community

development initiatives.

The Service Test is rated High Satisfactory.

- The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area.
- The bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate -income geographies and/or low- and moderate-income individuals.
- The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Background

Kennebunk Savings Bank (KSB) is a state-chartered mutual savings bank headquartered in Kennebunk, Maine (ME). The bank is wholly owned by a mid-tier holding company, Kennebunk Savings Bancorp, Inc., a Maryland corporation, which, in turn, is wholly owned by Kennebunk Savings Bancorp, MHC and a Maine-chartered mutual holding company. KSB has one non-bank subsidiary: Kennebunk Savings Insurance. Since the prior evaluation, the bank dissolved two non-bank subsidiaries: Webhannet Mortgage Company on September 15, 2020 and WPC Condominium Association on August 19, 2022. There has been no merger or acquisition activity since the previous evaluation.

The bank received a “Satisfactory” rating at its previous FDIC Performance Evaluation conducted as of April 27, 2020, pursuant to Interagency Large Institution Examination Procedures.

Operations

KSB operates 18 full-service, brick and mortar branches in York County, ME (12) and in Rockingham County (4) and Strafford County (2) in New Hampshire (NH). In May 2021, the bank opened a branch in Portsmouth, NH.

KSB is primarily a commercial real estate lender and offers various business and personal checking and savings products, including certificate of deposits, money market, and personal retirement accounts. Commercial credit products include real estate loans; lines of credit for working capital and equipment purchases; term, construction, and government guaranteed loans; and Visa credit cards. The bank provides standard cash management and other specialized services, such as payroll, remote deposit capture, and courier services; wire transfers; as well as alternative delivery systems, including mobile and online banking and automated teller machines (ATMs). Residential mortgage products include fixed- and adjustable-rate loans, land and construction loan, first-time homebuyer loans offering reduced down payments, as well as home equity loans and lines of credit. Consumer credit products include personal, automobile, boat, recreational vehicle, and home improvement loans, as well as consumer credit cards and overdraft protection. The bank also offers Voice ID, providing customers with identity theft and fraud protection at no charge.

Ability and Capacity

KSB’s assets totaled approximately \$1.9 billion as of March 31, 2023, including total loans of \$1.4 billion and total securities of \$317.1 million. KSB’s deposits totaled approximately \$1.6 billion as of March 31, 2023. Collectively, loans secured by commercial real estate and commercial and industrial loans represent 50.9 percent of the loan portfolio. Residential loans, including multifamily loans, account for the second largest portion of the loan portfolio at 38.3 percent. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	140,030	10.2
Secured by Farmland	704	0.1
Secured by 1-4 Family Residential Properties	421,980	30.6
Secured by Multifamily (5 or more) Residential Properties	105,994	7.7
Secured by Nonfarm Nonresidential Properties	648,003	47.0
Total Real Estate Loans	1,316,711	95.5
Commercial and Industrial Loans	53,456	3.9
Agricultural Production and Other Loans to Farmers	220	0.0
Consumer Loans	932	0.1
Obligations of State and Political Subdivisions in the U.S.	5,006	0.4
Other Loans	2,814	0.2
Less: Unearned Income	0	0.0
Total Loans	1,379,139	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas (AAs) within which examiners will evaluate its CRA performance. KSB designated two contiguous AAs: one in ME and another in NH. The ME AA consists of 30 census tracts within York County, ME. York County is part of the Portland-South Portland, ME Metropolitan Statistical Area (MSA). The NH AA consists of 36 census tracts within Rockingham and Strafford Counties, NH. Rockingham and Strafford Counties make up the Rockingham County-Strafford County, NH Metropolitan Division (MD). There has been no change in the municipalities included in the bank's AAs since the prior evaluation; however, the 2020 United States (U.S.) updated Census added 9 and 5 census tracts, respectively to the ME and NH AAs. The following table lists all communities in KSB's ME-NH AA.

ME AA			
York County			
Alfred	Arundel	Berwick	Eliot
Kennebunk	Kennebunkport	Kittery	Lyman
North Berwick	Ogunquit	Sanford	South Berwick
Wells	York		
NH AA			
Rockingham County			
Greenland	Hampton	Newfields	Newmarket
North Hampton	Portsmouth	Rye	Stratham
Strafford County			
Dover	Durham	Rollinsford	Somersworth

Please refer to the individual AA sections for details, including economic and demographic information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 27, 2020, to the current evaluation dated June 12, 2023. Examiners used Interagency Large Institution Examination Procedures to evaluate KSB’s CRA performance. These procedures include three tests: the Lending Test, the Investment Test, and the Service Test. Please see the Appendices for details on each Test. This evaluation does not include any lending activity performed by affiliates.

The evaluation includes two rated areas: the State of ME and the State of NH. As the bank has one AA in each state, examiners conducted full-scope reviews of each AA. Examiners placed greater weight on the bank’s performance in the ME AA in arriving at overall conclusions as it contains a majority of the bank’s branches, deposits, and loans.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
ME	520,846	72.1	1,409,044	86.0	12	66.7
NH	201,749	27.9	232,059	14.0	6	33.3
Total	722,595	100.0	1,641,103	100.0	18	100.0

Source: 2020-2022 Bank Home Mortgage and Small Business Lending Data; FDIC Summary of Deposits (06/30/2022)

Activities Reviewed

Examiners identified the bank’s major product lines as small business and home mortgage loans. This conclusion considered the bank’s business strategy and the number and dollar volume of originations during the evaluation period. The bank did not originate any small farm loans during the evaluation period.

The bank’s record of originating small business loans contributed slightly more weight to overall conclusions given the bank’s primary lending focus and the larger volume of originations over the evaluation period.

The evaluation considered all small business loans reported on the bank’s 2020, 2021, and 2022 CRA loan registers. In 2020, the bank reported 1,644 small business loans totaling approximately \$152.4 million. In 2021, the bank reported 1,046 small business loans totaling \$128.4 million. In 2022, the bank reported 256 small business loans totaling \$66.0 million. The bank’s significant origination volume of Small Business Administration (SBA) Paycheck Protection Program (PPP) loans during the COVID-19 pandemic explains the much higher origination totals in 2020 and 2021 compared to 2022. PPP was part of the

Coronavirus Aid, Relief, and Economic Security Act of 2020 and was designed to provide businesses with access to low-interest forgivable loans. Loan proceeds assisted with payroll and other business-related costs. SBA discontinued the PPP in mid-2021. Examiners compared the bank's 2020 and 2021 lending performance to aggregate data for the respective years. Aggregate data was not available for 2022. Additionally, examiners compared the bank's performance with annual D&B business demographic data for all three years.

The evaluation also considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. In 2020, the bank reported 500 home mortgage loans totaling \$149.5 million. In 2021, the bank reported 473 home mortgage loans totaling \$237.4 million. In 2022, the bank reported 523 home mortgage loans totaling approximately \$202.1 million. Examiners compared the bank's 2020 and 2021 lending performance to aggregate data for the respective years. Aggregate data was not available for 2022. Examiners also compared the bank's 2020 and 2021 performance under the Geographic Distribution and Borrower Profile criteria to the 2015 American Community Survey (ACS) demographic data and the bank's 2022 performance to 2020 U.S. Census demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans, unless otherwise noted. The number of loans better indicates the number of businesses and individuals served.

Examiners reviewed the bank's retail banking products and services targeted toward low- and moderate-income individuals and small businesses, delivery systems for providing retail banking services, including branches and alternative delivery systems, and the impact of any branch openings and closings during the evaluation period.

Examiners reviewed the bank's community development loans, investments, and services, as well as innovative and/or flexible lending practices from the prior evaluation dated April 27, 2020, to the current evaluation dated June 12, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's Lending Test performance is rated "Low Satisfactory". The State of ME and State of NH performance is consistent with the overall rating. This section presents the bank's overall performance in the combined area. Separate presentations for the rated areas are included in later sections.

Lending Activity

Lending levels reflect excellent responsiveness to the credit needs of its ME-NH AA. Excellent performance in the State of ME primarily supports this conclusion, as lending activity performance

in the State of NH was slightly below overall performance. Separate presentations for the rated areas are included in later sections. The following comments summarize the bank’s lending activity in both AAs combined.

Assessment Area Concentration

The bank originated a high percentage of its loans within its ME-NH AA. From 2020 to 2021, home mortgage lending by percentage (#) in the ME-NH AA slightly increased, before declining in 2022. Small business lending by percentage in the ME-NH AA remained consistent throughout the evaluation period. Small business lending by dollar from 2021 to 2022 declined due to PPP ceasing in mid-2021. Refer to the following table for more details regarding the ME-NH AA concentration.

Lending Inside and Outside ME-NH AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	414	82.8	86	17.2	500	125,490	84.0	23,964	16.0	149,455
2021	403	85.2	70	14.8	473	168,438	71.0	68,926	29.0	237,364
2022	429	82.0	94	18.0	523	156,492	77.4	45,608	22.6	202,100
Subtotal	1,246	83.3	250	16.7	1,496	450,420	76.5	138,498	23.5	588,919
Small Business										
2020	1,367	83.2	277	16.8	1,644	119,319	78.3	33,118	21.7	152,437
2021	869	83.1	177	16.9	1,046	103,007	80.2	25,378	19.8	128,385
2022	213	83.2	43	16.8	256	49,847	75.6	16,103	24.4	65,950
Subtotal	2,449	83.1	497	16.9	2,946	272,173	78.5	74,599	21.5	346,772
Total	3,695	83.2	747	16.8	4,442	722,593	77.2	213,097	22.8	935,691
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the ME-NH AA. The bank’s poor performance in the State of ME supports this conclusion, as performance in ME received the most weight. Performance in the State of NH was better than overall performance. The individual rated area sections include detailed analysis and comparisons to aggregate and demographic data.

Borrower Profile

The distribution of borrowers reflects given the product lines offered by the institution, adequate distribution among retail customers of different income levels and business customers of different sizes throughout the ME-NH AA. The bank's adequate performances in the State of ME and State

of NH support this conclusion. The individual rated sections include detailed analysis and comparisons to aggregate and demographic data.

Innovative or Flexible Lending Practices

KSB makes limited use of innovative and/or flexible lending programs to serve its ME-NH AA credit needs. The following table illustrates the number and dollar volume of flexible lending programs. As shown, PPP loans, a limited time offering, represented a majority of originations. Of the other programs, the Finance Authority of Maine (FAME) Loan Program is only available in ME. Further, KSB discontinued its Small Business Pandemic Line of Credit (LOC) product in late 2020 once small business financial needs directly prompted by the COVID-19 Pandemic began to dissipate. The following table illustrates activity in each loan program.

Innovative or Flexible Lending Programs ME-NH AA										
Type of Program	2020		2021		2022		YTD 2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Residential										
KSB Home Now Mortgage	1	270	1	387	0	0	0	0	2	657
Consumer										
Unsecured Consumer Relief Product	66	811	0	0	0	0	0	0	66	811
Commercial										
Small Business Pandemic LOC	22	1,710	0	0	0	0	0	0	22	1,710
SBA 504	1	245	7	2,968	8	4,874	1	656	17	8,743
SBA 7(a)	10	1,063	24	9,661	20	4,743	6	2,030	60	17,497
SBA PPP	1,431	98,567	805	69,582	0	0	0	0	2,236	168,149
FAME	0	0	1	300	0	0	0	0	1	300
Commercial Total	1,464	101,585	837	82,511	28	9,617	7	2,686	2,336	196,399
Totals	1,531	102,666	838	82,898	28	9,617	7	2,686	2,404	197,867
<i>Source: Bank Data</i>										

Commercial Lending Programs

- *Small Business Pandemic LOC*: KSB developed this in-house product during 2020 to address the needs of small businesses during the COVID-19 pandemic. This product had a maximum loan amount of \$250,000, an interest rate equal to the five-year Federal Home Loan Boston rate plus 200 basis points, no interest during the first three months followed by interest only payments during the subsequent six months, and eligibility for a second LOC under the same terms and conditions after three months.
- *SBA 504*: This loan program provides small businesses with long-term financing through a Certified Development Company (CDC) and promotes growing businesses and creating

jobs. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent participation from the CDC, and 50.0 percent participation by the bank.

- *SBA 7(a)*: The bank is a preferred lender for the SBA 7A program. This loan product offers small businesses a maximum loan amount of \$5 million with the SBA guaranteeing up to 85.0 percent of most loan values. This loan product is the SBA's primary program for providing financing to small businesses.
- *SBA PPP*: This program, offered in 2020 and 2021 during the COVID-19 pandemic, helped small businesses keep their workforce employed. Requirements for this program were limited to borrowers, before being approved for a one percent interest loan with amount approximately equal to 2.5 times the borrowers' monthly payroll, to provide payroll data. If businesses met certain criteria, the interest and principal could be deferred and the loan forgiven.
- *FAME Loan Program*: The FAME program is a collaborative effort between public and private entities to originate small business loans to businesses that do not qualify for conventional financing.

Residential Mortgage Lending Programs

- *KSB Home Now Mortgage*: This in-house product benefits first-time and low- and moderate-income homebuyers. The Home Now Mortgage requires a 2 percent down payment and does not require private mortgage insurance, while also allowing the borrower to finance a portion of the closing costs. There is no application or processing fees.

Community Development Loans

KSB made an adequate level of community development loans. The State of ME and State of NH performances are consistent with the overall conclusion. The bank originated 23 loans totaling approximately \$24.1 million, which represents 1.4 percent of average total assets and 2.0 percent of average total loans. KSB's performance was less than that of three similarly situated institutions (SSI); however, 48.0 percent of KSB's community development loans supported affordable housing, which is a significant community development need in both the ME and NH AAs, reflecting adequate responsiveness to the areas' needs and opportunities.

The bank's community development lending increased by both the number and dollar volume of loans from the previous evaluation where 12 loans for \$6.7 million qualified as community development.

As KSB was responsive to the AAs credit needs, examiners qualified loans originated outside of the AAs that benefitted the broader statewide or regional area. Two loans totaling approximately \$2.2 million benefitted a broader regional area. Both loans were SBA PPP loans that benefitted low- and moderate-income geographies and retained low- and moderate-income jobs. Refer to the individual AA sections for examples of community development loans in each AA and the breakdown of loans

in the AA by year. The following tables break down the community development lending by purpose, location, and year.

Community Development Lending ME-NH AA										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
ME	10	12,676	4	3,295	3	750	0	0	17	16,721
NH	1	3,000	2	500	1	1,664	0	0	4	5,164
Regional Activities	0	0	0	0	1	1,195	1	1,027	2	2,222
Total	11	15,676	6	3,795	5	3,609	1	1,027	23	24,107

Source: Bank Data.

Community Development Lending by Year ME-NH AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	3	8,925	0	0	1	250	0	0	4	9,175
2021	4	2,161	4	3,295	2	1,445	1	1,027	11	7,928
2022	3	1,590	2	500	2	1,914	0	0	7	4,004
YTD 2023	1	3,000	0	0	0	0	0	0	1	3,000
Total	11	15,676	6	3,795	5	3,609	1	1,027	23	24,107

Source: Bank Data.

INVESTMENT TEST

The bank’s Investment Test performance is rated "High Satisfactory". This rating is consistent with its performance in the State of ME and the State of NH. This section presents the bank's overall performance in the combined AA. Later sections include separate presentations for the individual AAs.

Investment and Grant Activity

KSB has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made 342 qualified investments totaling approximately \$11.0 million during the evaluation period. KSB’s level of qualified investments increased by 13.1 percent from the prior CRA performance evaluation. Of the 342 qualified investments and grants, 12 were equity investments totaling approximately \$9.4 million. One investment for \$25,694 specifically benefitted the ME AA, another one for \$2 million specifically benefitted the NH AA, and the remaining 10 investments totaling \$7.4 million served broader ME-NH-statewide areas that include both AAs.

Qualified equity investments equate to 0.5 percent of average total assets and 3.3 percent of average total securities as of March 31, 2023. Although both figures represent declines since the prior evaluation, they remain comparable to three SSI. Further, KSB’s total level of qualified investments significantly exceeded that of each SSI.

Qualified Investments ME-NH AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	2,385	0	0	2	578	0	0	7	2,963
2020	1	1,202	0	0	0	0	0	0	1	1,202
2021	2	1,338	1	2,000	0	0	0	0	3	3,338
2022	1	1,922	0	0	0	0	0	0	1	1,922
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	9	6,847	1	2,000	2	578	0	0	12	9,425
Qualified Grants & Donations	46	393	283	1,174	1	5	0	0	330	1,572
Total	55	7,240	284	3,174	3	583	0	0	342	10,997

Source: Bank Data

Examples of qualified equity investments that benefitted a broader ME-NH statewide area include the following:

- **Evernorth** – KSB invested \$4.5 million in the Evernorth Housing New England I, II, and III LP Fund (Funds) during the evaluation period and maintained four prior period investments in Evernorth’s Community Capital Fund totaling \$2.4 million. Evernorth is a nonprofit corporation that finances and provides technical assistance for affordable housing development throughout NH, Vermont, and ME. In July 2020, Northern New England Housing Investment Fund (previously noted as such) and Housing Vermont merged to form Evernorth.
- **CEI Ventures, Inc.** – KSB maintains two prior period investments in CEI Ventures, Inc. (CEI) totaling \$577,975. CEI is a nonprofit Community Development Corporation and certified Community Development Financial Institution (CDFI). CEI developed a venture capital fund to support small businesses and create low- and moderate-income jobs throughout New England and ME.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community development needs. During the evaluation period, the bank made five new equity investments and maintained seven prior period investments. A majority of investments supported affordable housing for low- and moderate-income individuals. Affordable housing was identified as a primary community development need in both AAs. The bank’s investments also provided significant support for community services benefitting low- and moderate-income individuals, which was also a critical need in both AAs.

Community Development Initiatives

KSB occasionally uses innovative and/or complex investments to support community development initiatives. The bank's equity investments are primarily in large ME-NH statewide and New England-based Funds supporting affordable housing. With the bank's investments, these Funds provide non-traditional financing to affordable housing developers. These Funds are most reliant on large investments from financial institutions.

SERVICE TEST

The bank's Service Test performance is rated "High Satisfactory". This rating is consistent with its performance in the State of ME and State of NH. The following section presents the bank's overall performance in the ME-NH AA. Later sections include separate presentations for the individual AAs.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank's ME-NH AA. As the following table shows, the percentage of branches and ATMs in moderate-income census tracts is significantly less than the percentage of such tracts and population residing in those tracts. The shifts in median family income categorization based on updated census data greatly affected the geographic distribution of branches. With the 2020 U.S. Census data changes, the census tract income level for one branch and its ATM, changed from moderate-income to middle-income and it added four moderate-income census tracts to the ME-NH AA. Prior to the U.S. Census data changes, the bank had two branches or 11.8 percent of its branches in moderate-income census tracts and moderate-income census tracts represented 17.3 percent of all census tracts and contained 15.4 percent of the population.

Currently, although the bank maintains only one branch in a moderate-income census tract, two other branches in middle-income census tracts abut two moderate-income census tracts.

Except for the Maplewood Avenue, Portsmouth, NH branch (upper-income), all other branches offer a drive-up banking window and ATM. The lack of a drive-up window and ATM is due to space limitations. In addition, the bank operates a deposit-taking ATM at its operations center in Kennebunk; however, access is limited to employees only. There are no notable differences between the ME and NH AAs regarding branch presence.

In addition to the branches and 24-hour, deposit-taking ATMs, the bank also offers mobile and telephone banking.

Branch and ATM Distribution by Geography Income Level ME-NH AA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Moderate	13	19.7	49,388	19.9	1	5.6	1	5.9	0	0.0	0	0.0
Middle	32	48.5	116,689	47.0	12	66.7	12	70.6	0	0.0	0	0.0
Upper	21	31.8	82,408	33.2	5	27.8	4	23.5	1	100.0	0	0.0
Totals	66	100.0	248,485	100.0	18	100.0	17	100.0	1	100.0	0	100.0

Source: 2020 U.S. Census & Bank Data Due to rounding, totals may not equal 100.0%

Changes in Branch Locations

To the extent changes were made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- or moderate-individuals. The institution has not closed any branches since the prior evaluation. In April 2021, the bank opened a full-service branch in an upper-income census tract in Portsmouth. The branch was established primarily for commercial lending activities; however, retail-banking services are also available. Access to this branch is on an appointment-only basis.

Reasonableness of Business Hours and Services

Services, (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. All KSB branches offer the same products and services except that the new Portsmouth branch does not have an ATM or a drive window. Space limitations preclude these services. Branch hours are consistent throughout the ME-NH AA.

Community Development Services

KSB provides a relatively high level of community development services. The bank provided 1,736 hours of financial or technical assistance to 25 organizations serving low- or moderate-income individuals and families and small businesses. This activity level is notable as during the COVID-19 pandemic, employees worked remotely and many businesses were closed. These totals include 325 service hours provided to two organizations located within the greater ME-NH area. KSB’s overall level of community development services is significantly higher than at the previous evaluation and is less than one SSI and greater than another.

During the evaluation period, employees devoted time to community development organizations primarily supporting community services, affordable housing, and economic development. Both AAs have needs and opportunities for these community development categories reflecting good responsiveness.

The following tables break down community development services by purpose, location, and year. Refer to the individual AA sections for examples of community development services in each AA.

Community Development Services ME-NH AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
NH	129	450	151	0	730
ME	95	562	24	0	681
Regional Activities	300	0	0	25	325
Total	524	1,012	175	25	1,736

Source: Bank Data; # represents hours spent on the qualifying activity.

Community Development Services ME-NH AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	136	286	70	0	492
2021	200	318	75	2	595
2022	163	319	18	6	506
YTD 2023	26	88	12	17	143
Total	525	1,011	175	25	1,736

Source: Bank Data; # represents hours spent on the qualifying activity.

An example of a qualified equity investment that benefitted a broader ME-NH statewide area includes the following:

- **Habitat for Humanity of Greater Portland (HHGP)** – From 2020 to 2022, three KSB employees, including one vice president and one executive vice president, served as Board members. HHGP is a nonprofit organization that builds homes for low- and moderate-income residents. HHGP offers a Critical Home Repair Program to help low- and moderate-income individuals and families receive the safety and structural repairs needed to address hazardous living conditions and prevent them from being displaced from their homes. This service helped promote affordable housing for low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the bank's overall CRA rating.

STATE OF MAINE – Full-Scope Review

CRA RATING FOR STATE OF ME: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MAINE

KSB operates 12 branches in York County, ME, in Berwick, Eliot, Kennebunk (3 including the main office), Kittery, North Berwick, Ogunquit, Sanford, Wells, and York (2). The ME AA consists of 30 census tracts. Based on the 2015 ACS data and 2020 U.S. Census data, the Sanford branch at 1314 Main Street is the only branch in a moderate-income census tract.

Although the AA boundaries have not changed since the previous evaluation, the number of census tracts increased by nine (six moderate-, two middle- and one upper-income). The 30 census tracts reflect the following income designations according to 2022 census data:

- 8 moderate-income,
- 15 middle-income, and
- 7 upper-income census tracts.

The eight moderate-income tracts are located in Alfred, Lyman, Sanford (5), and Wells. There are no low-income census tracts, underserved- or distressed-nonmetropolitan middle-income geographies, or designated disaster areas in the ME AA.

Due to the release of 2020 U.S. Census data, census tract income designations and demographic data changed from 2021 to 2022. Prior to this change, the 2015 ACS determined census tract income designations. According to the 2015 ACS, the ME AA consisted of 21 census tracts, which included 2 moderate-, 13 middle-, and 6 upper-income census tracts.

Economic and Demographic Data

The following table shows the demographic characteristics of the ME AA based on the 2020 U.S. Census data.

Demographic Information						
ME AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	0.0	26.7	50.0	23.3	0.0
Population by Geography	112,805	0.0	22.3	50.4	27.2	0.0
Housing Units by Geography	60,708	0.0	22.7	48.5	28.8	0.0
Owner-Occupied Units by Geography	35,458	0.0	19.6	51.3	29.1	0.0
Occupied Rental Units by Geography	10,671	0.0	30.6	43.7	25.8	0.0
Vacant Units by Geography	14,579	0.0	24.7	45.2	30.2	0.0
Businesses by Geography	9,811	0.0	18.4	52.2	29.4	0.0
Farms by Geography	435	0.0	14.5	52.6	32.9	0.0
Family Distribution by Income Level	29,825	18.9	17.7	25.1	38.4	0.0
Household Distribution by Income Level	46,129	23.7	15.7	18.6	41.9	0.0
Median Family Income MSA - 38860 Portland-South Portland, ME MSA		\$89,988	Median Housing Value			\$341,290
			Median Gross Rent			\$1,033
			Families Below Poverty Level			4.4%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2022 D&B data, there are 9,811 businesses in the ME AA. Gross annual revenue (GARs) for these businesses follow.

- 88.7 percent have \$1 million or less
- 3.6 percent have more than \$1 million
- 7.7 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. D&B demographic data indicates that 85.4 percent of businesses in the ME AA have GARs of less than \$0.5 million, 64.6 percent of businesses have four or fewer employees, and 91.9 percent of businesses operate from a single location. These factors indicate that the majority of businesses in the ME AA are very small. Service industries represent the largest portion of businesses at 36.9 percent, followed by non-classified establishments at 18.2 percent; retail trade at 13.0 percent; finance, insurance and real estate at 8.8 percent; and construction at 8.7 percent. Some major employers within the ME AA, per Moody's Analytics as of May 2023, include Maine Health, Bath Iron Works, and Hannaford Supermarkets.

U.S. Bureau of Labor Statistics data indicates that ME AA unemployment rates have been low throughout the evaluation period. As of year-ends 2020, 2021, and 2022, the unemployment rates in York County were 3.9 percent, 3.4 percent, and 2.5 percent,

respectively. The AA’s population increased by approximately 4.0 percent since the previous evaluation.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories in 2020, 2021, and 2022 are in the following table for the Portland-South Portland, ME MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Portland-South Portland, ME MSA Median Family Income (38860)				
2020 (\$92,300)	<\$46,150	\$46,150 to <\$73,840	\$73,840 to <\$110,760	≥\$110,760
2021 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2022 (\$101,600)	<\$50,800	\$50,800 to <\$81,280	\$81,280 to <\$121,920	≥\$121,920
<i>Source: FFIEC</i>				

There are 60,708 housing units in the ME AA. Of these, 58.4 percent are owner-occupied, 17.6 percent are occupied rental units, and 24.0 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. In 2020 and 2021, only 5.6 percent of owner-occupied housing units were located in moderate-income census tracts, indicating limited mortgage lending opportunities during these years. Lending opportunities increased in 2022 when the number of moderate-income census tracts increased from two to nine, increasing the percent of owner occupied housing units in those tracts to 19.6 percent.

Competition

According to the June 30, 2022 FDIC Deposit Market Share reports, 10 financial institutions operated 36 branches throughout the ME AA. This represents moderate competition for banking services. KSB holds the highest market share with 41.2 percent of deposits.

Aggregate lending data indicates a high level of competition for small business loans in York County. According to 2021 small business aggregate data, 83 lenders originated or purchased 5,797 small business loans within the county. KSB ranked 2nd with 12.0 percent market share. The top lender was American Express National Bank with 16.0 percent; and the 3rd and 4th placed lenders were JP Morgan Chase, NA with 7.9 percent, followed by Bank of America, NA with 6.8 percent market share.

Similarly, there is a high level of competition for home mortgage loans. According to 2021, HMDA data, 333 lenders originated or purchased 12,283 home mortgage loans within the ME AA. KSB ranked 3rd with 4.4 percent market share. The top two lenders were Rocket Mortgage with 5.6 percent and CMG Mortgage, Inc., with 5.1 percent, market share, both of which are national mortgage companies.

Community Contact

As part of the CRA evaluation, examiners contact organizations active in the AA to better understand and assess credit and community development needs and opportunities. Obtained information helps determine the responsiveness of local financial institutions to identified needs. The examiners contacted an economic development corporation within the AA that supports community development efforts including economic development and affordable housing referred to as workforce housing by the contact. The contact indicated an increasing need for affordable housing development and financing due to increased housing costs. The contact further explained that flexible payment-option home mortgage loans are especially scarce, yet needed, as many low- and moderate-income workers are in the tourism industry, which experiences significant seasonal flux. The contact attributed increasing housing costs, particularly in York County, to an influx of residents from higher-cost metropolitan areas and limited inventory. Although this influx led to some economic development, the area experienced increased housing costs and homelessness. The contact noted that area financial institutions often engage in homebuyer education, financial counseling, and Volunteer Income Tax Assistance programs, which offer free tax preparation for low- and moderate-income households.

Credit and Community Development Needs and Opportunities

Based on information from the community contact, bank management, demographic data, and local housing and economic data, examiners determined that affordable housing is the area's main community development need. Further, there is a need for affordable flexible home mortgage and small business loans with an emphasis on startup financing. The large percentage of businesses with GARs of \$1 million or less demonstrates the potential for economic development within the AA. The increasing concentration of low- and moderate-income tracts coupled with the low housing stock and ever-rising housing prices, as mentioned by the contact, demonstrate a need for affordable housing. Opportunities are available in the area including CDFI economic development investments, CDFI loan participations, and Low-income Housing Tax Credits.

SCOPE OF EVALUATION – MAINE

Examiners used full-scope examination procedures to review the bank's operations in the ME AA. Examiners assessed the same products and evaluation period previously described in the overall Scope of Evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MAINE

LENDING TEST

The bank's Lending Test performance is rated "Low Satisfactory" in the State of ME. The following sections discuss the bank's Lending Test performance under each criterion.

Lending Activity

KSB's lending levels reflect excellent responsiveness to credit needs. KSB originated 1,061 small business loans totaling \$84.6 million in 2020, 663 small business loans totaling \$72.6 million in 2021, and 147 small business loans totaling \$29.8 million in 2022. Small business lending declined from 2020 to 2022 due to the SBA discontinuing its PPP in May 2021. Examiner's review of small business loan market share data for the ME AA (county-level) revealed that KSB ranked 1st with a 20.9 percent market share in 2020 and 2nd with a 12.0 percent market share in 2021, only trailing American Express.

KSB originated 338 loans totaling \$90.2 million in 2020, 349 loans totaling \$128.1 million in 2021, and 364 loans totaling \$115.5 million in 2022. The bank ranked 4th in both 2020 and 5th in 2021 with market shares of 3.9 and 4.0 percent, respectively, edging out more than 300 lenders who originated at least one home mortgage loan within the ME AA. Rocket Mortgage, CMG Mortgage, and United Wholesale Mortgage, all national mortgage companies, as well as Camden National Bank, were the only institutions to rank above KSB in 2021.

Geographic Distribution

The geographic distribution of small business and home mortgage loans reflects poor penetration throughout the AA, particularly to low- and moderate-income geographies in the AA. The bank's poor small business and home mortgage lending performances support this conclusion. Examiners focused on the percentage of loans by number in moderate-income census tracts, as the ME AA does not contain any low-income census tracts.

Small Business

The geographic distribution of small business loans reflects poor penetration throughout the ME AA. As shown in the following table, the bank's 2020 and 2021 performance in the moderate-income census tracts was less than the aggregate and demographics. In 2022, the bank's performance by number and percent of loans increased; however, the bank's performance remained significantly less than demographics.

Geographic Distribution of Small Business Loans						
ME AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	6.0	2.2	16	1.5	778	0.9
2021	6.0	3.7	11	1.7	544	0.8
2022	18.4	--	13	8.8	2,347	7.9
Middle						
2020	60.7	62.1	645	60.8	56,465	66.8
2021	59.9	63.7	418	63.0	49,942	68.8
2022	52.2	--	75	51.0	15,430	51.8
Upper						
2020	33.3	34.6	400	37.7	27,344	32.3
2021	34.2	32.5	234	35.3	22,090	30.4
2022	29.4	--	59	40.1	12,018	40.3
Totals						
2020	100.0	100.0	1,061	100.0	84,587	100.0
2021	100.0	100.0	663	100.0	72,576	100.0
2022	100.0	--	147	100.0	29,795	100.0
<i>Source: 2020, 2021, & 2022 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage

The geographic distribution of home mortgage loans reflects poor penetration throughout the ME AA. The bank's percentage of home mortgage loans in the moderate-income census tracts in 2020, 2021, and 2022 was less than the percentage of owner-occupied housing units in such geographies. Further, performance in 2020 and 2021 was well below the aggregate. Additionally, of the 86 lenders who originated at least one home mortgage loan within moderate-income census tracts in 2020, the bank ranked 24th with a 1.2 percent market share. Lastly, of the 100 lenders who originated at least one home mortgage loan within moderate-income census tracts in 2021, the bank ranked 17th with a 1.7 percent market share. These moderate-income census tract rankings are significantly worse than KSB's overall home mortgage market share rankings in the ME AA, which was 4th in 2020 and 5th in 2021.

Geographic Distribution of Home Mortgage Loans						
ME AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	5.6	4.9	5	1.5	4,017	4.5
2021	5.6	6.3	9	2.6	2,477	1.9
2022	19.6	--	27	7.4	13,306	11.5
Middle						
2020	65.6	63.6	206	60.9	56,063	62.1
2021	65.6	63.7	213	61.0	81,157	63.3
2022	51.3	--	219	60.2	44,632	38.6
Upper						
2020	28.8	31.5	127	37.6	30,138	33.4
2021	28.8	30.0	127	36.4	44,500	34.7
2022	29.1	--	118	32.4	57,598	49.9
Totals						
2020	100.0	100.0	338	100.0	90,218	100.0
2021	100.0	100.0	349	100.0	128,134	100.0
2022	100.0	--	364	100.0	115,536	100.0
<i>Source: 2015 ACS & 2020 US Census; 2021 & 2022 Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. The bank's adequate small business and home mortgage Borrower Profile performances support this conclusion.

Small Business

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table shows that in 2020 and 2021, the bank's lending to businesses with GARs of \$1 million or less, significantly trailed aggregate performance and demographics. The table also illustrates that the primary reason for the limited lending to businesses with GARs of \$1 million or less was due to the large volume of PPP loans that the bank was not required to and did not consider or collect GARs during the application process. Therefore, the "Revenue Not Available" category includes all PPP loans originated inside the assessment area, which significantly reduced the percentage of loans in the two GARs categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021.

In 2022, the bank’s percentage of loans to small businesses with GARs of \$1 million or less increased; however, remained less than demographics. However, as the following first table illustrates, the bank continued to originate a significant number and percentage of loans with “Revenue Not Available” which were not PPP loans as the program ceased in mid-2021. When only considering loans to small businesses with reported revenue, the bank originated 46 percent of its 2022 loans to these businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
ME AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	86.3	28.9	82	7.7	14,904	17.6
2021	86.5	40.5	48	7.2	7,991	11.0
2022	88.7	--	40	27.2	6,789	22.8
>\$1,000,000						
2020	4.6		60	5.7	10,840	12.8
2021	4.5	--	40	6.0	10,940	15.1
2022	3.6	--	47	32.0	10,728	36.0
Revenue Not Available						
2020	9.1		919	86.6	58,843	69.6
2021	9.0	--	575	86.7	53,645	73.9
2022	7.8	--	60	40.8	12,278	41.2
Totals						
2020	100.0	100.0	1,061	100.0	84,857	100.0
2021	100.0	100.0	663	100.0	72,576	100.0
2022	100.0	--	147	100.0	29,795	100.0
<i>Source: 2020, 2021, & 2022 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

As previously explained, examiners were unable to conduct a meaningful analysis of 2020 or 2021 lending by GAR; therefore, examiners instead evaluated small business lending using loan size. As the following table illustrates, a substantial majority of PPP loans, by number, had loan sizes of \$100,000 or less indicating the bank is helping to serve the needs of small businesses in its ME AA.

Distribution of PPP Loans by Loan Size					
ME AA					
Loan Size		#	%	\$(000s)	%
<\$100,000					
	2020	781	85.6	20,510	41.3
	2021	437	82.8	10,531	30.0
\$100,000 - \$249,999					
	2020	95	10.4	14,494	29.2
	2021	58	11.0	9,394	26.7
\$250,000 - \$1,000,000					
	2020	36	3.9	14,647	29.5
	2021	33	6.3	15,228	43.3
Totals					
	2020	912	100.0	49,651	100.0
	2021	528	100.0	35,153	100.0
<i>Source: 1/1/2020 – 12/31/2021 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage

The distribution of borrowers reflects adequate penetration among individuals of different income levels in the ME AA. As shown in the following table, KSB's performance in home mortgage lending to low-income borrowers was well below the percentage of low-income families throughout the evaluation period. However, low-income individuals (income <\$50,800), especially those below the poverty level (4.4 percent of families in the ME AA), may face challenges in qualifying for a traditional home mortgage given the AA's median home value (\$341,290). In addition, as shown in the table, KSB's lending to low-income borrowers was more in line with aggregate in 2020 and comparable to the aggregate data in 2021.

Among moderate-income borrowers, lending performance in 2020 was greater than the aggregate and demographics, with declines in 2021 and 2022.

Distribution of Home Mortgage Loans by Borrower Income Level						
ME AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	16.9	5.2	11	3.3	1,291	1.4
2021	16.9	6.1	18	5.2	2,319	1.8
2022	18.9	--	18	4.9	1,445	1.3
Moderate						
2020	17.8	17.4	72	21.3	10,950	12.1
2021	17.8	18.3	48	13.8	7,856	6.1
2022	17.7	--	56	15.4	6,718	5.8
Middle						
2020	23.9	23.5	71	21.0	14,529	
2021	23.9	22.3	76	21.8	16,605	13.0
2022	25.1	--	75	20.6	11,043	9.6
Upper						
2020	41.4	40.9	168	49.7	54,171	60.0
2021	41.4	39.6	179	51.3	73,217	57.1
2022	38.4	--	181	49.7	52,421	45.4
Not Available						
2020	0	13.0	16	4.7	9,278	10.3
2021	0.0	13.8	28	8.0	28,136	22.0
2022	0.0	--	34	9.3	43,910	38.0
Totals						
2020	100.0	100.0	338	100.0	90,218	100.0
2021	100.0	100.0	349	100.0	128,134	100.0
2022	100.0	--	364	100.0	115,536	100.0

Source: 2015 ACS and 2020 US Census; 2020, 2021, & 2022 Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Community Development Loans

The bank made an adequate level of community development loans. KSB originated 17 community development loans in the ME AA totaling approximately \$16.7 million. The number and dollar of community development loans is greater than that during the previous evaluation, where the bank originated 11 loans totaling \$4.1 million in the AA. The following table illustrates the bank's community development lending in the ME AA.

Community Development Lending ME AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	3	8,925	0	0	1	250	0	0	4	9,175
2021	4	2,161	3	3,045	1	250	0	0	8	5,456
2022	3	1,590	1	250	1	250	0	0	5	2,090
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	10	12,676	4	3,295	3	750	0	0	17	16,721

Source: Bank Data.

Examples of qualified development loans that benefitted the ME AA include the following:

- In 2022, the bank originated a \$1.1 million loan to a local affordable housing organization. The organization used the funds to construct two single-family homes in York County to house low- and moderate-income families.
- In 2020, the bank originated a \$250,000 loan to a CDFI serving York County. Proceeds supported the organization's loan fund that provides financing to small businesses to create and retain low- and moderate-income jobs.

INVESTMENT TEST

The bank's Investment Test performance is rated "High Satisfactory" in the State of ME. The following sections discuss the bank's Investment Test performance under each criterion.

Investment and Grant Activity

KSB has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made 202 qualified investments or grants totaling approximately \$6.1 million that benefitted the ME AA or the broader ME-statewide area since the prior evaluation.

Qualified Investments ME AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
ME AA	18	269	152	624	0	0	0	0	170	893
Statewide Activities	12	4,547	18	130	2	578	0	0	32	5,255
Total	30	4,816	170	754	2	578	0	0	202	6,148

Source: Bank Data

Examples of qualified equity investments that benefitted the ME AA include the following:

- Avesta Housing, Inc. (AH) - During a prior evaluation period, KSB made a \$1.5 million

investment. AH is an affordable housing development organization that constructs residential properties that have rents below the Housing and Urban Development's Fair Market Rent rates. The 30-unit property is for low-income elderly and disabled individuals. The current book value is \$25,694. In 2022, the bank donated \$100,000 to fund and develop a Kennebunk affordable housing complex.

- Southern Maine Agency on Aging (SMAA) – From 2020 to 2023, the bank donated \$89,350. SMAA is a nonprofit organization that provides numerous resources and programs to Southern Maine seniors. The majority of SMAA's clients are low- or moderate-income seniors, and the majority of SMAA's programs, such as Meals on Wheels and Money Minders, target low- and moderate-income seniors.
- *United Way of Southern Maine (UWSM)* – KSB donated \$123,036. UWSM supports various causes targeting low- and moderate-income families and individuals.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community development needs. Investments primarily benefited identified community development needs of affordable housing and community services. The AA had notable needs and opportunities for these community development categories. The AA has relatively high median housing values and gross rents with housing costs increasing. The ME AA has relatively high poverty rates, and the COVID-19 pandemic created economic hardship in particular for low-income individuals. Consequently, the significant amount of donations addressing these challenges reflected favorably on bank performance under this criterion.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. Please refer to the overall Investment Test discussion of this factor for a detailed analysis supporting this conclusion. The investments within the State of ME are similar to those discussed in the overall Investment Test.

SERVICE TEST

The bank's Service Test performance is rated "High Satisfactory" in the State of ME. The following sections discuss the bank's Service Test performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the AA. Accessibility of delivery systems in ME is consistent with the bank's overall accessibility of delivery systems. Of the bank's 18 full service branches, 12 branches are in ME. Of the 12 branches, one or 3.3 percent is in the moderate-income census tracts. Moderate-income census tracts represent 26.7 percent of all census tracts and contain 22.3 percent of the population. The shifts in median family income categorization based on updated census data greatly affected the geographic distribution of the

branches. Specifically, prior to the reclassification, the bank maintained 8.3 percent of its branches in moderate-income census tracts and moderate-income census tracts represented 9.5 percent of all census tracts and contained 8.4 percent of the population.

Refer to the overall Service Test for an analysis of the accessibility of bank delivery systems.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank did not open or close any branches in the State of Maine.

Reasonableness of Business Hours and Services

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or individuals. Please refer to the overall Service Test discussion of this factor for a detailed analysis supporting this conclusion. The reasonableness of business hours and services within the State of ME is consistent with the overall reasonableness of hours and services.

Community Development Services

KSB provides a relatively high level of community development services in the ME AA. The bank contributed 744 service hours to 13 organizations serving the ME AA and surrounding statewide area. The total number of service hours provided to and the number of organizations benefitted within the ME AA increased significantly from the previous evaluation. The majority of service hours benefitted organizations providing community services to low- and moderate-income individuals and developing affordable housing, both important assessment area needs.

Examples of qualified community development services that benefitted the ME AA include the following:

- ***Waypoint*** – Waypoint provides intellectually or developmentally disabled adults and children with support services such as residential programs, clinical services, and case management. Waypoint also provides educational services to teach life and socialization skills that enable low- and moderate-income clients to participate in the community through work and volunteer opportunities. A bank officer served as a Board member.
- ***York County Shelter Programs (YCSP)*** – YCSP serves the homeless of York County by providing shelter, meals, mental health and substance abuse treatment, job training, and other services. An employee served on the Board in 2020.
- ***Southern Maine Finance Agency (SMFA)*** – SMFA is a CDFI and CDC that

promotes economic development in southern ME. SMFA offers small business financing and counseling services and works with state and federal agencies to promote policies, projects, and programs that foster economic development. A commercial loan officer serves on the Loan Committee and Board.

STATE OF NEW HAMPSHIRE – Full-Scope Review

CRA RATING FOR STATE OF NH: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW HAMPSHIRE

KSB operates six branches in the NH AA. Four branches are in Rockingham County in Hampton, Newmarket, Portsmouth, and Stratham. One branch is in Strafford County in Dover. Based on the 2015 ACS data, the Dover branch at 701 Central Avenue was in a moderate-income census tract. However, based on the 2020 U.S. Census data, this census tract changed from moderate-income to middle-income. Thus, the bank no longer operates any branches in a moderate-income census tract.

Although the AA’s boundaries have not changed since the last evaluation, the number of census tracts increased from 31 to 36 due to the change from the 2015 ACS to the 2020 U.S. Census. All census tracts are in the Rockingham County-Strafford County, NH MD. The 36 census tracts reflect the following income designations according to 2020 U.S. Census data:

- 5 moderate-income,
- 17 middle-income, and
- 14 upper-income census tracts.

The 5 moderate-income tracts are located in Dover (2), Portsmouth, and Somersworth (2). There are no low-income census tracts, underserved- or distressed-nonmetropolitan middle-income geographies, or designated disaster areas in the NH AA. Previously, based on the 2015 ACS, the NH AA consisted of 31 census tracts, which included 7 moderate-, 16 middle-, and 8 upper-income census tracts.

Economic and Demographic Data

The following table shows the demographic characteristics of the NH AA based on 2020 U.S. Census data.

Demographic Information						
NH AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	13.9	47.2	38.9	0.0
Population by Geography	135,680	0.0	17.9	44.1	38.1	0.0
Housing Units by Geography	60,976	0.0	18.8	47.2	34.0	0.0
Owner-Occupied Units by Geography	34,385	0.0	14.5	47.3	38.2	0.0
Occupied Rental Units by Geography	20,314	0.0	28.8	44.4	26.8	0.0
Vacant Units by Geography	6,277	0.0	10.0	55.8	34.2	0.0
Businesses by Geography	19,995	0.0	14.1	38.5	47.4	0.0
Farms by Geography	428	0.0	11.0	37.6	51.4	0.0
Family Distribution by Income Level	32,309	16.9	20.8	22.5	39.8	0.0
Household Distribution by Income Level	54,699	23.8	17.5	20.3	38.4	0.0
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH		\$107,377	Median Housing Value			\$386,752
			Median Gross Rent			\$1,256
			Families Below Poverty Level			3.9%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2022 D&B data, there are 19,995 businesses in the NH AA. The GARs for these businesses follow.

- 87.4 percent have \$1 million or less
- 4.2 percent have more than \$1 million
- 8.4 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. D&B demographic data indicates that 84.5 percent of businesses in the NH AA have GARs of less than \$0.5 million, 60.5 percent of businesses have four or fewer employees, and 90.9 percent of businesses operate from a single location. These factors indicate that the majority of businesses in the NH AA are very small. Service industries represent the largest portion of businesses at 36.8 percent, followed by non-classified establishments at 22.7 percent; finance, insurance, and real estate at 12.5 percent; retail trade at 11.0 percent; and construction at 5.2 percent. According to Moody's Analytics, major employers in the AA include Fidelity Investments, Hannaford Supermarkets, and Elliot Hospital.

U.S. Bureau of Labor Statistics data indicates that the unemployment rates have declined slightly and remained consistently low throughout the evaluation period. As of year-ends 2020, 2021, and 2022, the unemployment rates in Rockingham County, NH were 4.3 percent, 2.1 percent, and 2.6

percent, respectively. The unemployment rates in Strafford County, NH were 4.0 percent, 1.9 percent, and 2.2 percent, respectively.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories in 2020, 2021, and 2022 are presented in the following table for the Rockingham County-Strafford County, NH MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Rockingham County-Strafford County, NH Median Family Income				
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
2021 (\$110,600)	<\$55,300	\$55,300 to <\$88,480	\$88,480 to <\$132,720	≥\$132,720
2022 (\$122,500)	<\$61,250	\$61,250 to <\$98,000	\$98,000 to <\$147,000	≥\$147,000
<i>Source: FFIEC</i>				

There are 60,976 housing units in the NH AA. Of these, 56.4 percent are owner-occupied, 33.3 percent are occupied rental units, and 10.3 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. In 2022, only 14.5 percent of owner-occupied housing units were located in moderate-income census tracts, limiting home mortgage lending opportunities in those areas.

Competition

According to FDIC Deposit Market Share data as of June 30, 2022, 19 financial institutions operated 58 branches in the NH AA, depicting a moderately competitive market. KSB ranked 8th out of this group with 3.7 percent deposit market share. The top three institutions included TD Bank, NA with 30.2 percent market share; Citizens Bank, NA with 18.3 percent market share; and Bank of America, NA with 9.2 percent market share.

Small business lending data indicates a highly competitive market. The 2021 aggregate small business data indicated 129 lenders originated or purchased 13,616 small business loans within the counties (Rockingham and Strafford) included in the bank’s NH AA. By number, KSB ranked 12th with 1.8 percent market share. The top five lenders were American Express National Bank with 20.1 percent; Bank of America, NA with 8.7 percent; JP Morgan Chase Bank, NA with 8.7 percent; Capital One Bank (USA), NA with 7.7 percent; and TD Bank, NA with 7.3 percent, market share.

Aggregate HMDA data also indicates a highly competitive market for home loans. According to 2021, HMDA data, 337 lenders originated or purchased 11,225 home mortgage loans within the bank’s NH AA. By number, KSB ranked 37th with 0.6 percent market share in loan volume. The top five lenders were Citizens Bank, NA with 7.2 percent; CMG Mortgage, Inc. with 6.1 percent; United Wholesale Mortgage with 5.2 percent; Rocket Mortgage with 5.2 percent; and Loan Depot, LLC with 3.8 percent, market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also illustrates what credit and community development opportunities are available.

Examiners contacted an affordable housing organization serving NH including the eastern shore area. The contact stated that although incoming high-end housing helped retain area jobs, it also reduced the overall affordability of housing. The contact further noted that housing that was once affordable prior to the pandemic was quickly purchased via cash transactions and then renovated significantly increasing the square footage and sale value. Families and individuals settling in the area from major metropolitan cities during the pandemic purchased many of these homes. The lack of affordable housing greatly affected the area's elderly and work force populations. Although the contact identified the need for affordable housing, the contact also acknowledged the limited opportunity to build new affordable housing units. However, Low-income Housing Tax Credits and CDFI investments for improving housing conditions are available.

Credit and Community Development Needs and Opportunities

Examiners considered economic and demographic information, bank information, and community contact information to determine the credit and community development needs in the NH AA. Based on this information, examiners determined that small business lending represents the primary credit need in the NH AA. The primary community development need is affordable housing. There are limited lending opportunities in this area; however, investment opportunities are available. Additionally, community services benefiting low- and moderate-income individuals, particularly seniors, are a primary community development need in the AA.

SCOPE OF EVALUATION – NEW HAMPSHIRE

Examiners used full-scope examination procedures to review the bank's operations in the NH AA. Examiners assessed the same products and evaluation period previously described under the Scope of Evaluation section of this evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE

LENDING TEST

The bank's Lending Test Performance is rated "Low Satisfactory" in the State of NH. The following sections discuss the Lending Test performance under each criterion.

Lending Activity

KSB's lending levels reflect good responsiveness to NH AA credit needs. KSB originated 306 small business loans totaling \$34.7 million in 2020, 206 small business loans totaling \$30.4 million in 2021, and 66 small business loans totaling \$20.1 million in 2022. As previously mentioned in the ME AA section, small business lending declined from 2020 to 2021 due to the SBA discontinuing the PPP in mid-2021. Based on county level small business loan market share data for the NH AA, KSB ranked 10th with a 2.9 percent market share in 2020 and 12th with a 1.8 percent market share in 2021, out of 128 lenders that originated at least one small business loan in the counties within the NH AA. KSB was the highest ranked state-chartered community bank both years.

For home mortgage lending, KSB originated 76 loans totaling \$35.3 million in 2020, 54 loans totaling \$40.3 million in 2021, and 65 loans totaling \$41.0 million in 2022. Home mortgage lending totals represent substantial increases compared to the prior evaluation, when the bank originated just 34 loans totaling \$14.0 million in 2018 and 48 home mortgage loans totaling 14.6 million in 2019. Out of 309 lenders who originated at least one home mortgage loan in the NH AA, the bank ranked 31st with a 0.9 percent market share in 2020 and 36th with a 0.7 percent market share in 2021.

Geographic Distribution

The geographic distribution of small business and home mortgage loans reflects adequate penetration throughout the AA. KSB's adequate penetration of small business loans throughout the NH AA drives this conclusion.

Small Business

The geographic distribution of small business loans reflects adequate penetration throughout the NH AA. As shown in the following table, the bank's percentage of small business loans to businesses in moderate-income tracts was greater than demographics and the aggregate in 2020 and 2021. Conversely, in 2022, the number of small business originations declined significantly and thus, fell below demographic data

Geographic Distribution of Small Business Loans						
NH AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	18.4	18.2	71	23.2	6,507	
2021	18.1	16.7	48	23.3	5,664	18.6
2022	14.1	--	6	9.1	858	4.3
Middle						
2020	55.9	57.1	162	52.9	19,052	54.9
2021	56.0	56.8	100	48.5	15,508	51.0
2022	38.5	--	24	36.4	5,479	27.3
Upper						
2020	25.8	24.6	73	23.9	9,173	26.4
2021	25.9	26.5	58	28.2	9,259	30.4
2022	47.4	--	36	54.5	13,715	68.4
Totals						
2020	100.0	100.0	306	100.0	34,732	100.0
2021	100.0	100.0	206	100.0	30,431	100.0
2022	100.0	--	66	100.0	20,052	100.0
<i>Source: 2020, 2021, & 2022 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage

The geographic distribution of home mortgage loans reflects good penetration throughout the AA. In 2020 and 2021, KSB's home mortgage lending performance in the moderate-income census tracts substantially exceeded both demographics and the aggregate. In 2022, lending declined and was less than demographics.

Geographic Distribution of Home Mortgage Loans						
NH AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	16.7	17.9	19	25.0	6,733	19.1
2021	16.7	19.9	20	37.0	14,039	34.8
2022	14.5	--	5	7.7	1,165	2.8
Middle						
2020	56.9	56.4	37	48.7	15,791	44.8
2021	56.9	54.6	16	29.6	7,487	18.6
2022	47.3	--	31	47.7	27,904	68.1
Upper						
2020	26.4	25.7	20	26.3	12,749	36.1
2021	26.4	25.5	18	33.3	18,779	46.6
2022	38.2	--	29	44.6	11,888	29.0
Totals						
2020	100.0	100.0	76	100.0	35,273	100.0
2021	100.0	100.0	54	100.0	40,305	100.0
2022	100.0	--	65	100.0	40,956	100.0
<i>Source: 2015 ACS & 2020 US Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution adequate penetration among retail customers of different income levels and business customers of different size. The more heavily weighted small business lending performance supports the overall conclusion.

Small Business

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table shows that the bank's 2020 lending to businesses with GARs of \$1 million or less, significantly trailed aggregate performance and demographics. For 2021, lending by number increased, but performance remained significantly less than the aggregate and demographics. The table also illustrates that the primary reason for the limited lending to businesses with GARs of \$1 million or less was due to the large volume of PPP loans that the bank was not required to and did not consider or collect GARs during the application process. Therefore, the "Revenue Not Available" category includes all PPP loans originated inside the assessment area, which significantly reduced the percentage of loans in the two GARs categories. Therefore,

examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021.

In 2022, the bank’s percentage of loans to small businesses with GARs of \$1 million or less increased; however, remained less than demographics. However, as the following first table illustrates, the bank continued to originate a significant number and percentage of loans with “Revenue Not Available” which were not PPP loans as the program ceased in mid-2021. When only considering loans to small businesses with reported revenue, the bank originated 61.5 percent of its 2022 loans to these businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
NH AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	86.3	38.7	25	8.2	7,240	20.8
2021	87.0	46.3	25	12.1	4,192	13.8
2022	87.4	--	24	36.4	6,717	33.5
>\$1,000,000						
2020	5.0	--	11	3.6	4,202	12.1
2021	4.5	--	14	6.8	4,040	13.3
2022	4.2	--	25	37.9	8,138	40.6
Revenue Not Available						
2020	8.8	--	270	88.2	23,290	67.1
2021	8.4	--	167	81.1	22,199	72.9
2022	8.4	--	17	25.8	5,197	25.9
Totals						
2020	100.0	100.00	306	100.0	34,732	100.0
2021	100.0	100.0	206	100.0	30,431	100.0
2022	100.0	--	66	100.0	20,052	100.0
<i>Source: 2020, 2021, & 2022 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

As previously explained, examiners were unable to conduct a meaningful analysis of 2020 or 2021 lending by GAR; therefore, examiners instead evaluated small business lending using loan size. As the following table illustrates, a substantial majority of PPP loans, by number, had loan sizes of \$100,000 or less indicating the bank is helping to serve the needs of small businesses in its NH AA.

Distribution of PPP Loans by Loan Size					
NH AA					
Loan Size		#	%	\$(000s)	%
<\$100,000					
	2020	207	76.1	6,222	26.1
	2021	90	64.3	2,772	15.8
\$100,000 - \$249,999					
	2020	34	12.5	5,118	21.4
	2021	26	18.6	4,282	24.4
\$250,000 - \$1,000,000					
	2020	31	11.4	12,542	52.5
	2021	24	17.1	10,508	59.8
Totals					
	2020	272	100.0	23,882	100.0
	2021	140	100.0	17,562	100.0
<i>Source: 1/1/2020 – 12/31/2021 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage

The distribution of home mortgage borrowers reflects poor penetration among individuals of different income levels. As shown in the following table, KSB originated two loans to low-income individuals in 2020 and none in 2021, despite the aggregate illustrating opportunities.

As for moderate-income individuals, the bank's 2020 and 2021 lending was greater than it was to low-income individuals; however, performance remained less than demographics and aggregate, despite the aggregate illustrating opportunities. In 2022, performance declined.

Distribution of Home Mortgage Loans by Borrower Income Level						
NH AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.5	4.8	2	2.6	126	0.4
2021	19.5	6.4	0	0.0	0	0.0
2022	16.9	--	4	6.2	375	0.9
Moderate						
2020	17.8	16.4	9	11.8	1,582	4.5
2021	17.8	18.0	6	11.1	1,419	3.5
2022	20.8	--	4	6.2	462	1.1
Middle						
2020	21.2	23.3	6	7.9	2,109	6.0
2021	21.2	23.1	5	9.3	1,322	3.3
2022	22.5	--	8	12.3	1,564	3.8
Upper						
2020	41.4	44.5	32	42.1	13,457	38.2
2021	41.4	41.0	14	25.9	9,715	24.1
2022	39.8	--	29	44.6	10,944	26.7
Not Available						
2020	0.0	11.1	27	35.5	17,999	51.0
2021	0.0	11.5	29	53.7	27,849	69.1
2022	0.0	--	20	30.8	27,611	67.4
Totals						
2020	100.0	100.0	76	100.0	35,273	100.0
2021	100.0	100.0	54	100.0	40,305	100.0
2022	100.0	--	65	100.0	40,956	100.0
<i>Source: 2015 ACS and 2020 US Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

The bank originated a low level of community development loans. KBS originated four community development loans in the NH AA totaling approximately \$5.1 million. The level of community development lending was greater than that during the previous evaluation, where the bank originated a \$2.3 million loan. The following table illustrates the bank's community development lending in the NH AA.

Community Development Lending NH AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	1	250	0	0	0	0	1	250
2022	0	0	1	250	1	1,664	0	0	2	1,914
YTD 2023	1	3,000	0	0	0	0	0	0	1	3,000
Total	1	3,000	2	500	1	1,664	0	0	4	5,164

Source: Bank Data.

Examples of qualified community development loans that benefitted the NH AA include the following:

- In 2023, the bank originated a \$3.0 million loan to a local community service organization. The organization used the proceeds to renovate a former assisted living facility in Rochester. The renovated property will contain 21 low-income housing units for adults aged 62 and over. Affordable housing was determined to be a significant community development need in the NH AA.
- In 2022, the bank originated an approximately \$1.7 million SBA 504 loan to a local small business. Proceeds assisted in creating and retaining low- and moderate-income jobs in the hospitality sector.

INVESTMENT TEST

The bank's Investment Test performance is rated "High Satisfactory" in the State of NH. The following sections discuss the bank's Investment Test performance under each criterion.

Investment and Grant Activity

KSB has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made 136 qualified investments or grants totaling approximately \$5.0 million that benefitted the NH AA or the broader NH-statewide area.

Qualified Investments NH AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
NH AA	20	58	106	2,413	1	5	0	0	126	2,476
Statewide Activities	2	2,516	8	7	0	0	0	0	10	2,523
Total	22	2,574	114	2,420	1	5	0	0	136	4,999

Source: Bank Data

Examples of qualified investments that benefitted the NH AA include the following:

- ***New Hampshire Community Loan Fund (NHCLF)*** – In 2021, the bank renewed a \$2 million investment. NHCLF is a CDFI that provides loans, capital, and technical assistance to nonprofit community services organizations and small businesses and runs numerous affordable housing initiatives.
- ***Community Action Partnership of Strafford County (CAPSC)*** – KSB donated \$54,375. CAPSC is a 501(c) (3) nonprofit organization that offers early childcare and education, family support, energy assistance, food and nutrition, homelessness prevention and support, and senior housing and transportation services within Strafford County, NH. Low- and moderate-income individuals benefit from these services.
- ***Chase Home for Children (CHC)*** – KSB donated \$11,500. CHC is a community services organization in Portsmouth that provides housing to low- and moderate-income at-risk youth.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community economic development needs in the NH AA. Investments primarily benefitted affordable housing and community services. The AA had notable needs and opportunities for these community development categories. The AA has relatively high median housing values and gross rents with increasing housing costs. The NH AA has relatively high poverty rates and the COVID-19 pandemic created economic hardship in particular for low-income individuals. Consequently, the significant amount of donations addressing these challenges reflected favorably on bank performance under this criterion.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. Please refer to the overall Investment Test discussion of this factor for a detailed analysis supporting this conclusion. The investments within the State of NH are similar to those discussed in the overall Investment Test.

SERVICE TEST

The bank's Service Test performance is rated "High Satisfactory" in the State of NH. The following sections discuss the bank's Service Test performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of KSB's NH AA. The accessibility of delivery systems in the NH AA is consistent with the overall accessibility of delivery systems.

Delivery systems are reasonably accessible to essentially all portions of the AA. Accessibility of delivery systems in NH is consistent with the bank's overall accessibility of delivery systems. Of the bank's full service branches, six branches are in ME. No branches are in a moderate-income census tract. Moderate-income census tracts represent 13.9 percent of all census tracts and contain 17.9 percent of the population. The shifts in median family income categorization based on updated census data greatly affected the geographic distribution of the branches. Specifically, prior to the reclassification, the bank maintained one or 20 percent of its branches in moderate-income census tracts and moderate-income census tracts represented 22.6 percent of all census tracts and contained 21.2 percent of the population. Refer to the overall Service Test for an analysis of the accessibility of bank delivery systems.

Changes in Branch Locations

To the extent that changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank opened a branch in Portsmouth (upper-income census tract). Although this new branch will help serve Portsmouth's bordering moderate-income census tract, the branch is only accessible by appointment.

Reasonableness of Business Hours and Services

Services (including, where appropriate, business hours), do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or low- or moderate-income individuals. Please refer to the overall Service Test discussion of this factor for a detailed analysis supporting this conclusion. The reasonableness of business hours and services in the NH AA is consistent with the overall reasonableness of hours and services.

Community Development Services

The bank provides a relatively high level of community development services. Service hours benefitting the NH AA more than doubled since the prior evaluation. KSB provided 681 hours of financial expertise or technical assistance to 10 organizations serving the NH AA or surrounding NH area. The majority of organizations benefitting from employee services provide affordable housing and essential community services.

Examples of qualified community development services that benefitted the NH AA include the following:

- ***Community Action Partnership of Strafford County (CAPSC)*** – CAPSC helps low- and moderate-income individuals and families and provides food, education, child care, utilities assistance, transportation, housing, emergency shelter, and access to other services. A vice president served as a Board member.
- ***Workforce Housing Coalition of the Greater Seacoast (WFHCGS)*** – WFHCGS promotes affordable housing through hosting conferences and webinars and

provides technical assistance. WFHCGS works with various individuals and organizations. An executive vice president served of the Board.

- ***Lamprey Health Care (LHC)*** – LHC is a Federally Qualified Health Center that provides health care services to low- and moderate-income individuals. LHC operates three locations including one in Newmarket. Services include primary, prenatal, and dental care and behavioral health and substance abuse disorder services. A vice president was a Director.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
ME	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
NH	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.