



PUBLIC DISCLOSURE

May 12, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Rockland Savings Bank, FSB
Charter Number 701454

582 Main St
Rockland, ME 04841-3339

Office of the Comptroller of the Currency

99 Summer St
Suite 1400
Boston, MA 02110

NOTE: 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory.

The major factors supporting the institution's CRA ratings are:

- Rockland Savings Bank's ("Rockland" or the "Bank") level of lending, as reflected in its loan-to-deposit ratio, is more than reasonable.
- A substantial majority of originated loans were made within the Bank's assessment area.
- The distribution of loans reflects reasonable penetration to borrowers of different income levels.
- The geographic distribution of loans reflects reasonable dispersion given the lack of low and moderate-income census tracts.

SCOPE OF EXAMINATION

Rockland was evaluated using Small Bank Community Reinvestment Act (CRA) examination procedures, including a lending test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period for the lending test covers performance from January 1, 2012 through December 31, 2013, and compares results to the 2010 U.S. Census data.

Rockland's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans, including home purchase, home refinance, and home improvement loans. The December 31, 2013 Federal Deposit Insurance Corporation (FDIC) Call Report shows that 1-4 family residential loans represent over 74% of the loan portfolio.

As the Bank is not a HMDA reporter, the evaluation included a random sampling of 20 originations to determine the in/out ratio and distribution of loans. Bank-prepared volume and distribution analysis from January 1, 2012 through December 31, 2013 was used to validate conclusions from the lending test.

DESCRIPTION OF INSTITUTION

Rockland Savings Bank is a federally chartered mutual thrift institution headquartered in Rockland, Maine (ME). The Bank, previously Rockland Savings and Loan, has operated in Rockland since 1888 and primarily serves residents of the mid-coast of Maine. The bank was originally chartered as a state institution and converted to a national thrift charter in 2008. As of December 31, 2013, the Bank had total assets of \$84 million and Tier 1 Capital of \$11 million.

Rockland operates from its main office on Main Street, Rockland, ME with one additional full service branch office located in Waldoboro, ME. Both locations are open 8:00 am to 4:00 pm Monday through Thursday with extended hours on Friday to 5:00 pm. Each location has a drive-up automated teller machine (ATM) for 24 hour banking. No branches were opened or closed during the evaluation period.

Rockland offers a number of residential mortgage loan products including conventional purchase mortgages and refinancing, construction loans, home equity loans and lines of credit, auto loans, and personal secured loans. Commercial loans and lines of credit are also available. The Bank offers a variety of different account access alternatives including online banking with account transfer and bill pay functionality. Customers also have the ability to complete and submit loan applications online from the Bank's website, www.rocklandsavingsbank.com.

As of December 31, 2013, the Bank's loan portfolio totaled \$66.6 million, and represented 79% of total assets. The distribution of the loan portfolio as of December 31, 2013 is reflected below.

Loan Portfolio Summary by Loan Product December 31, 2013	
Loan Category	% of Total Loans and Leases
1-4 Family Residential	74%
Other Real Estate	13%
Commercial & Industrial	6%
Individual	5%
Construction & Development	2%

Source: December 2013 Federal Deposit Insurance Corporation (FDIC) Call Report

The Bank has no financial or legal impediments to meeting the credit needs of the community. The Bank was rated "Satisfactory" using OTS Small Savings Association Examination procedures at the prior CRA examination dated March 30, 2009.

DESCRIPTION OF ASSESSMENT AREA(S)

The CRA requires a bank to define the AA in which it will be evaluated. Rockland's AA consists of Knox County and portions of the contiguous counties of Lincoln and Waldo, Maine. The assessment area, which is located in a Non-Metropolitan Statistical area ("Non-MSA"), contains 27 census tracts ("geographies"). There are no low- or moderate-income tracts, 23 middle-income tracts, and four upper-income tracts. The Bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income tracts.

Demographic Information for Rockland AA (2012 and 2013)					
Demographic Characteristics	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	27	0%	0%	85%	15%
Population by Geography	112,979	0%	0%	91%	9%
Owner-Occupied Housing by Geography	39,130	0%	0%	90%	10%
Family Distribution by Income Level	31,366	17%	18%	23%	42%
Distribution of LMI Families through AA Geographies	10,977	0%	0%	93%	7%
2010 Median Family Income (MFI)		\$54,719	Median Housing Value		\$201,834
2013 HUD Adjusted MFI		\$53,200	Households Below Poverty Level		13%
County			Knox	Lincoln	Waldo
2013 Unemployment Rates, not seasonally adjusted*			6.0%	6.5%	7.6%

Source: 2010 U.S. Census data and 2013 HUD updated MFI

*Data from the US Bureau of Labor Statistics at <http://www.bls.gov/data/>

The Federal Deposit Institution Corporation's Deposit Share Report for June 30, 2013, indicates that 12 financial institutions operate within the Bank's AA. At June 30, 2013, Rockland ranks 7th with 2.7% of the market share. The Bank's local competitors include, but are not limited to Camden National Bank, The First, N.A., Bangor Savings Bank, Damariscotta Bank & Trust, Bath Savings Institution, The Bank of Maine, First Federal Savings and Loan Association of Bath, Bar Harbor Bank & Trust, and Machlas Savings Bank. Larger regional banks that provide further competition include TD Bank, N.A. and KeyBank, N.A.

Competition for the Bank's primary loan product is high and 2012 Peer Mortgage Market Share Data indicates that Rockland competes with 185 lenders within their AA. Many nationwide lenders without offices inside the AA are present in the area's lending market. These lenders include: Wells Fargo Bank, N.A.; JPMorgan Chase Bank, N.A.; Ally Bank; and US Bank, N.A. Also competing heavily are the previously mentioned nationwide, regional, and local institutions, as well as large mortgage companies such as Quicken Loans, GMAC Mortgage LLC, PHH Mortgage Corporation, CUSO Mortgage Corporation, and Residential Mortgage Services. Peer Mortgage 2012 Market Share data indicates the top ten lenders control the market with an overall market share of approximately 61%. Rockland ranks 14th with a market share of approximately 2%.

September 2013 Moody's Analytics data shows that the Maine economy remained relatively flat between 2010 and 2012, with some modest improvement in 2013. That said, management expects the state to be more than a year behind the US in terms of job recovery. The State of Maine is more vulnerable to the effects of the fiscal cliff given that federal aid comprises a larger portion of the state budget and the number of defense contracts. Construction, agriculture, fishing, and forestry are the most common industries in the Bank's AA. According to the Maine Center for Economic Policy's April 1, 2014 report, Maine ranks 49th among the 50 states in terms of total job growth since

January 2011. Maine has recovered 49% of jobs lost during the recession compared to 96% for New England and 93% for the United States. Public-sector job losses have been significant and private-sector job growth has been sluggish compared to the rest of the country. The fishing industry makes up a significant portion of the Bank's AA economy, leading to additional uncertainty going forward given pricing and production fluctuations. Home sales in Rockland and Knox County have been slowly improving since 2011, and management expects further progress as the local economy continues its recovery.

Bank management identified a need for loans to self-employed lobstermen and residential loans to support affordable housing. We interviewed two community contacts that are familiar with the credit needs of the AA. The contacts work with organizations that are involved with community and economic development, small business lending, and community services. In summary, credit and banking needs identified include affordable housing, gap and micro lending, small business lending, loan products and programs for first time homebuyers, and alternative financing sources for borrowers with no/limited/poor credit. Opportunities for financial institution participation are concentrated in lending and contributions related to affordable housing, first-time homebuyer mortgage products, borrower education programs, and small business workshops with representatives from various development organizations. The contacts identified communication between financial institutions and development organizations as an area with room for improvement.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Rockland Saving's performance under the lending test is Satisfactory. The evaluation period covered lending activity for residential mortgage loans from January 1, 2012 through December 31, 2013, inclusive. The Bank's level of lending, as reflected in its loan-to-deposit ratio, is more than reasonable. A substantial majority of originated loans were made within the Bank's assessment area. The distribution of loans reflects reasonable penetration to borrowers of different income levels. The geographic distribution of loans reflects reasonable dispersion given the lack of low and moderate-income census tracts. Our analysis of the Bank's performance for the respective evaluation factors is described below.

Loan-to-Deposit Ratio

The Bank's net loan-to-deposit (LTD) ratio is more than reasonable give the Bank's size, AA credit needs, market competition, and economic factors. The ratio averaged 108% over the last 20 quarters and ranged from a high of 119% at March 31, 2009 to a low of 94% at December 31, 2013. This is a decrease from the average of 124% at the previous OTS examination – attributed to an extremely competitive lending environment coupled with increased deposit account balances. The Bank's LTD remains significantly higher than the 80% quarterly average for peer institutions over the same period. When

considering the \$52.7 million in secondary market loan sales between January 1, 2009 and December 31, 2013, the LTD ratio increases to 112%.

Lending in Assessment Area

A substantial majority of the Bank's primary loan products were originated within its AA during our review period, exceeding the standard for satisfactory performance. We randomly selected 20 loans from all residential originations and purchases during the evaluation period in order to test the in/out ratio. Of these, 95% were originated within the AA, representing 96% of the total dollar amount.

Internally prepared tracking reports support these findings. Of 545 total loans originated or purchased in 2012 and 2013, 427 – or 97% – were located within the AA. Based on dollar amount, \$40.5 million of originations were located within the AA, accounting for 96% of total activity during the period.

The following table details the Bank's lending within its AA by number and dollar amount of loans.

Lending in the Rockland Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	19	95%	1	5%	20	\$3,244	96%	\$145	4%	\$3,389

Source: Random sampling of 20 residential loan originations and purchases from 1/1/2012 through 12/31/2013

Lending to Borrowers of Different Incomes

There is reasonable penetration of home loans to borrowers of different income levels for loans originated in 2012 and 2013, and the Bank meets the standard for satisfactory performance. The data used for the primary comparator, aggregate Home Mortgage Disclosure Act (HMDA), was not used as the Bank is not required to collect HMDA data; therefore, we used the percentage of families as the comparator. The percent of home loans made to low-income borrowers is lower than the percent of low-income families located within the AA. The percent of home loans made to moderate-income borrowers exceeded the percent of moderate-income families located within the AA.

Housing costs in the AA are high relative to the HUD adjusted median family income. According to the U.S. Census data, the weighted average housing price was \$201,834. The 2013 HUD adjusted median family income was \$53,200, which means the maximum income for low-income families is \$26,599, making it difficult to qualify for loans. Peer Mortgage 2012 Market Share data indicates the top ten lenders control the market with an overall market share of approximately 61%. Rockland ranks 14th with a market share of approximately 2%, and performance is considered satisfactory given housing costs and the strong level of competition.

The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Rockland AA								
Borrower Income	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	17%	5%	18%	25%	23%	15%	42%	55%

Source: Random sampling of 20 residential loan originations and purchases from 1/1/2012 through 12/31/2013

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion given the lack of low and moderate-income census tracts. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns. 100% of sampled loans were located in middle-income census tracts. One county that is in the Bank's AA, Lincoln County, is designated as an underserved middle-income geography. According to bank-provided geographic distribution analysis, 11% of the 159 home purchase and refinance originations during the evaluation period were located in Lincoln County. These loans, totaling \$2.9 million, represent 12% of the \$23.5 million in home purchases and refinances originated during the period.

Geographic Distribution of Residential Real Estate Loans in Rockland AA								
Tract Income	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0%	0%	0%	0%	90%	100%	10%	0%

Source: Random sampling of 20 residential loan originations and purchases from 1/1/2012 through 12/31/2013

Responses to Complaints

There were no CRA complaints received by the Bank or the OCC during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal Savings Association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.