



PUBLIC DISCLOSURE

July 6, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Oculina Bank
Charter Number 717955

1100 Colonnades Drive
Ft. Pierce, FL 34949

Office of the Comptroller of the Currency

9850 NW 41st Street
Suite 260
Miami, FL 33178

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 Oculina Bank (Oculina or Thrift) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The Thrift's average quarterly loan-to-deposit ratio is more than reasonable for the evaluation period;
- A majority of loan originations or purchases are within the Thrift's assessment area;
- The distribution of loans reflects reasonable dispersion among individuals of different income levels.
- The geographic distribution of loans reflects reasonable distribution throughout the assessment area.

SCOPE OF EXAMINATION

We evaluated Oculina for performance under the Community Reinvestment Act, Small Bank Performance criteria. This performance evaluation includes the Lending Test and covers an evaluation of loans originated or purchased January 1, 2012, through December 31, 2014. The evaluation is based on accurate data and focuses on all business and consumer mortgage loans originated or purchased during the evaluation period. Loan reports and Home Mortgage Disclosure Act (HMDA) data submitted by management were verified to ensure accuracy.

DESCRIPTION OF INSTITUTION

Oculina is an intrastate federally chartered, stock savings association with total assets of approximately \$183 million, as of December 31, 2014. Oculina's main office is located in Fort Pierce, Florida. There are eight branches located in the assessment area: Martin County (one branch), Saint Lucie County (two branches), and Indian River County (five branches). Two of the branches are located in low-income census tracts, two are located in moderate-income census tracts, and four are located in middle-income census tracts.

During the evaluation period, two branches were relocated. The Aviation branch in Vero Beach, FL (middle-income census tract) was relocated within the same census tract. The US Highway branch in Vero Beach, FL (moderate-income census tract) was relocated to a low-income census tract within Vero Beach, FL. Additionally, the Gatlin branch in Port Saint Lucie, FL (middle-income census tract) was closed and a branch was opened in a moderate-income census tract in Vero Beach, FL. The Thrift's record of relocating, opening and closing branches did not affect the overall accessibility to credit for low- or moderate-income areas or individuals.

The Thrift is wholly owned by Oculina Banc Corp., a savings and loan holding company. The Thrift has no affiliates or subsidiaries, which influence the Thrift's capacity to lend or invest in the community.

Oculina offers a variety of credit products including commercial real estate, commercial, consumer, residential (home equity loans and lines of credit), and small business loans. The Thrift's business strategy focuses on consumer residential lending. A majority of the Thrift's residential loans are purchased from brokers. The Thrift offers deposit products such as checking, savings, NOW, money market and time deposit accounts.

Oculina faced challenges in its ability to help meet the credit needs of the assessment area (AA) as the Thrift was operating under a Formal Agreement (FA) signed July 18, 2012, that included requirements for the Thrift to reduce credit risk and problem assets among other areas of focus. The FA was terminated on February 6, 2014. Despite efforts to achieve compliance with the FA, Oculina managed to address the credit needs of their AA. We considered these challenges when evaluating the Thrift's performance.

Oculina reported total loans of \$156 million as of December 31, 2014. A summary of the loan portfolio is reflected in the table below:

Loan Portfolio Composition as of December 31, 2014		
Loan Category	Balance (\$000)	% of Total Loans
Residential Real Estate	\$104,158	66.69%
Commercial, including Real Estate	\$44,145	28.27%
Construction & Development	\$4,305	2.76%
Consumer	\$952	0.60%
All Other Loans	\$2,619	1.68%
Total	\$156,179	100%

Source: The Federal Financial Institutions Examination Council's (FFIEC) Consolidated Reports of Condition and Income (Call Report) data gathered from December 31, 2014.

Oculina received an overall rating of "Satisfactory" during its previous CRA performance evaluation, dated July 30, 2010.

DESCRIPTION OF ASSESSMENT AREA(S)

The Thrift has delineated the Port Saint Lucie- Fort Pierce Metropolitan Statistical Area (MSA) 38940, Sebastian-Vero Beach MSA 42680, and Palm Beach County Metropolitan Division 48424(MD) as its AA. Since the two MSAs and the MD are contiguous and have a similar demographic makeup, they were combined for this review.

The AA includes geographies in which the Thrift has its main office, branches, as well as the surrounding geographies in which the Thrift has originated or purchased a substantial portion of its loans (Palm Beach County). The Thrift's AA meets the

requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Palm Beach County (MD) - 48424

	Number	Low	Moderate	Middle	Upper	N/A
Tracts	337	6.23%	24.93%	31.45%	35.01%	2.37%

Source: Demographic Data - 2010 U.S. Census

According to the 2010 Census, the Palm Beach County MD had 337 geographies distributed as follows: 21 low-income, 84 moderate-income, 106 middle-income, 118 upper-income and eight with no income data. Palm Beach County is an urban center. According to the 2010 Census, the population totaled 1.3 million with approximately eight percent of the population residing in the City of West Palm Beach. During the evaluation period, the level of homeowner occupancy declined from 64 percent, according to the 2000 Census, to 58 percent, according to the 2010 Census, as a result of the housing crisis. The percentage of vacant units increased from 17 percent to 20 percent. In low- and moderate-income geographies, the level of renter occupancy is high (61 percent and 32 percent), based on 2010 Census data. The percentage of renters with rent costs more than 30 percent of their income grew from 42 percent based on the 2000 Census to 56 percent based on the 2010 Census. Low- and moderate-income geographies represent 12 percent and 39 percent of the total number of households below the poverty level, respectively, according to the 2010 Census. These households would have difficulty qualifying for home loans. These factors all indicate a need for affordable housing and rental housing. During the evaluation period, the MD consistently ranked amongst the highest in the Nation for its foreclosure rate.

Major industries in the MD include transportation, health care, and tourism. The cost of living in Palm Beach County remains high. Unemployment rates throughout the evaluation period ranged from a high of 8.9 percent in January 2012 to 4.8 percent in December 2014. An improvement in the economy of the MD is marked by a decline in the unemployment rate. However, based on the high level of poverty in the MD and high cost associated with owning a home (insurance, taxes, etc.) many families have difficulty qualifying for home loans and starting small businesses. Furthermore, the high level of unemployment during the evaluation period limited lending opportunities for institutions operating in the MD.

Housing costs are high and have increased significantly over the past several years. Median home values increased from \$144,015 to \$288,519 and median gross monthly rents increased from \$779 to \$1,161, based on information from the 2000 Census and 2010 Census. The high median cost makes it difficult for low- and moderate-income individuals to own a home in the assessment area without the help of loan subsidies, which were reduced during the evaluation period.

The banking industry is very competitive in the MD. A review of June 2014 Deposit Market Share data, provided by the Federal Deposit Insurance Corporation reveals that the five largest institutions operating in the MD command 59 percent of the total market

share for deposits. These institutions are regional or national banks that have a significant presence in the area. These five institutions had 262 branches within the MD. The twenty-eight largest institutions operating in the MD have more in reported deposits from the MD than Oculina has in total assets.

Sebastian-Vero Beach (MSA) - 42680

	Number	Low	Moderate	Middle	Upper	N/A
Tracts	30	3.33%	13.33%	56.67%	23.33%	3.33%

Source: Demographic Data - 2010 U.S. Census

According to the 2010 Census, the Sebastian-Vero Beach MSA has 30 geographies distributed as follows: one low-income, four moderate-income, 17 middle-income, seven upper-income, and one with no income data. The MSA consists of Indian River County and according to the 2010 Census, the population totaled 138 thousand, with approximately 16 percent of those individuals residing in the City of Sebastian. During the evaluation period, the level of homeownership (owner-occupied) declined from 78 percent (according to the 2000 Census), to 59 percent (according to the 2010 Census), as a result of the housing crisis. The percentage of vacant housing units increased from 15 percent in 2000, to 24 percent in 2010. In low- and moderate-income geographies, the level of renter occupancy is high at 81 percent and 41 percent, respectively. The percentage of renters with rent costs more than 30 percent of their income totaled 10 percent, based on the 2010 Census. The total percentage of people below the poverty line was 11 percent. These households would have difficulty qualifying for home loans. These factors all indicate a need for affordable housing and rental housing. During the evaluation period, the MSA experienced a high level of foreclosures.

Major industries are golfing, hospitality, health care, and aircraft manufacturing. Unemployment rates throughout the evaluation period ranged from a high of 10.7 percent in January 2012 to 6.2 percent in December 2014. The improvement in the economy of the MSA is marked by the decline in the unemployment rate.

Median home values increased from \$129,634 to \$253,300, according to the 2000 and 2010 Census data. This compares to national median home values of \$169,000 and \$221,800, respectively. Over the same period, the median household income for the MSA increased from \$47 thousand to \$64 thousand, indicating that income growth kept pace with the increase in housing prices. The median cost makes it difficult for low- and moderate-income individuals to own a home in the AA without loan subsidies, which were reduced during the evaluation period.

The banking industry is competitive in the MSA. A review of the Deposit Market Share data, provided by the Federal Deposit Insurance Corporation from June 2014, shows that the top five institutions in the MSA control 67 percent of total deposits. These institutions are regional or national banks that have good branch exposure in the area. The top five institutions have 28 branches combined, out of the 55 total branches in the MSA. Oculina ranked 12th with 2.26 percent of the MSA’s deposit market share.

Port Saint Lucie- Fort Pierce MSA - 38940

	Number	Low	Moderate	Middle	Upper	N/A
Tracts	44	6.82%	29.55%	54.55%	6.82%	2.26%

Source: Demographic Data - 2010 U.S. Census

According to the 2010 Census, the Port Saint Lucie-Fort Pierce MSA has 44 geographies distributed as follows: three low-income, 13 moderate-income, 24 middle-income, three upper-income, and one with no income data. The MSA is comprised of two counties, Martin and St. Lucie. St. Lucie is the larger of the two counties, with 66 percent of the total MSA population according to the 2010 Census. Port St. Lucie is designated as the principal city and represents 38 percent of the total MSA population. During the evaluation period, the level of homeowner occupancy declined from 84 percent, according to the 2000 Census, to 59 percent, according to the 2010 Census, as a result of the housing crisis. The percentage of vacant units increased from 16 percent to 23 percent. The level of rental units is high (21 percent) in the MSA, and the percentage of renters with rent costs more than 30 percent of their income was 10 percent, based on the 2010 Census. Households below the poverty level represent 11 percent of the total number of households. These households would have difficulty qualifying for home loans. These factors all indicate a need for affordable housing and rental housing.

Major industries in the MSA include health care, tourism, and financial services. Unemployment rates throughout the evaluation period ranged from a high of 10.4 percent in January 2012 to 5.9 percent in December 2014. Improvement in the economy of the MSA is marked by a decline in the unemployment rate. However, based on the high level of poverty in the MSA and high cost associated with owning a home (insurance, taxes, etc.) many families have difficulty qualifying for home loans. Furthermore, high levels of unemployment during the evaluation period limited lending opportunities for institutions operating in the MSA.

Housing costs are moderate and have increased significantly over the past several years. Median homes values increased from \$97,335 to \$217,917, based on information from the 2000 Census and 2010 Census. The median monthly gross rent was \$1,029 based on the 2010 Census. The high median cost makes it difficult for low- and moderate-income individuals to own a home in the assessment area without the help of loan subsidies, which were reduced during the evaluation period.

The banking industry is very competitive in the MSA. A review of the June 2014 Deposit Market Share data, provided by the Federal Deposit Insurance Corporation reveals that the five largest institutions operating in the MSA command 63 percent of the total market share for deposits. These institutions are regional or national banks that have a significant presence in the area. These five institutions have 68 branches within the MSA. The twelve largest institutions operating in the MSA have more in reported deposits from the MSA than Oculina has in total assets. Oculina’s deposit market share in the MSA is only 0.86 percent, ranking them 14th amongst their competitors.

Community credit needs in the AA were determined by reviewing CRA Performance Evaluations of other banks operating in the same assessment area and by conducting one community contact with a nonprofit community service organization. We determined that the most pressing credit needs in the assessment area are affordable housing and small business lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Oculina's performance under the Lending Test is Satisfactory. We focused our performance evaluation on home purchase and business loans originated or purchased from January 1, 2012 through December 31, 2014.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the credit needs of the AA and the Thrift's size, financial condition, and location. This determination is based on the quarterly LTD ratios from June 30, 2010 to December 31, 2014 that averaged 85.99 percent. During this evaluation period, comparable institutions had average LTD ratios ranging from a low of 41.87 percent to a high of 79.93 percent.

Institution Name	Assets as of 12/31/2014 (\$000)	Average LTD Ratio
Mackinac Savings Bank, FSB	\$109,099	50.43%
Inez Deposit Bank	\$158,000	41.87%
Anchor Commercial Bank	\$104,159	73.33%
Marine Bank & Trust Company	\$167,815	79.93%

Source: The Federal Financial Institutions Examination Council's (FFIEC) Consolidated Reports of Condition and Income (Call Report) data.

Lending in Assessment Area

Lending in the AA is satisfactory overall. A majority of home purchase loans originated or purchased were made to borrowers inside the AA and a substantial majority of business loans were made to borrowers inside the AA. As home purchase loans represented a majority of the Thrift's lending by both number of loans and dollar amount, they received more weight in reaching our conclusion.

A majority of Oculina's home purchase loans were originated or purchased inside the AA, meeting the standard for satisfactory performance. As illustrated in Table 1, 75.85 percent of the Thrift's home purchase loans by number and 73.72 percent by dollar amount originated during the evaluation period were in the assessment area.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase Loans	336	75.85	107	4.15	443	88,325	73.72	31,479	26.28	119,804

Source: HMDA data 2012-2014

A substantial majority of Oculina’s business loans were originated to borrowers inside the AA, exceeding the standard for satisfactory performance. As illustrated in Table 1A, 89.94 percent of the Thrift’s business loans by number and 85.58 percent by dollar amount originated during the evaluation period were in the assessment area.

Table 1A - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	168	89.94	19	10.16	187	57,895	85.58	9,752	10.16	67,647

Source: Business loan Data 2012-2014

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Oculina’s penetration of loans to borrowers of different income levels and businesses of different sizes is reasonable, and meets the standard for satisfactory performance given performance context. As home purchase loans represented a majority of the Thrift's lending by both number of loans and dollar amount, they received more weight in reaching our conclusion.

Table 2 below illustrates the penetration of home purchase loan originations and purchases in relation to the number of families in the AA by income level. Additionally, we compared the Thrift’s performance to aggregate HMDA lending data, which received more weight, in our analysis.

The overall distribution of home purchase loans reflects a reasonable penetration. The penetration of home purchase loans to low-income borrowers was reasonable, given the higher cost of home ownership in the AA, competition from other institutions in the AA, and unemployment levels during the evaluation period (performance context). The Thrift originated or purchased 4.17 percent of home purchase loans to low-income individuals, which is low when compared to the percentage of low-income families in the AA. However, the Thrift’s lending to low-income borrowers is near to the percentage of aggregate HMDA lending to low-income borrowers (4.83 percent). The penetration of home purchase loans to moderate-income borrowers is reasonable. The percent of

loans purchased or originated to moderate-income borrowers is below the percentage of moderate-income families and the percentage of aggregate HMDA lending (15.25 percent) to moderate-income borrowers; however, the penetration is reasonable when considering the performance context mentioned above.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase Loans	20.74	4.17	18.30	7.44	19.49	15.48	41.47	71.43

Source: HMDA data 2012-2014 and 2013 Dunn and Bradstreet data

Oculina’s lending activities reflects a reasonable penetration among businesses of different sizes. We compared the revenue data of business loans originated in the AA during the evaluation period against the economic data of all businesses operating in the AA. As depicted in Table 2A, the percentage of loans to small businesses by the number of loans is slightly lower than the percent of such businesses operating in the AA. Based on all business loans originated during the evaluation period, Oculina originated 67.86 percent of the total number of loans and 57.01 percent of the total dollar volume of loans to small businesses (those with total revenues of \$1 million or less). According to the economic business data, of businesses in the assessment area that reported revenues, 71.77 percent are considered small businesses. Oculina’s level of lending to small businesses is reasonable considering the significant impact of the weak economy on available lending opportunities during much of the evaluation period, especially to small businesses, in the assessment area. High competition from other institutions in the AA was also considered. Additionally, as shown in Table 2B, a majority of the number of loans originated in the AA had original amounts of \$250 thousand or less.

Table 2A - Borrower Distribution to Businesses in the AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Revenue Unavailable	Total
% of AA Non-farm Businesses	71.77%	2.67%	25.56%	100.00%
% of Bank Loans in AA by #	67.86%	32.14%	0.00%	100.00%
% of Bank Loans in AA by \$	57.01%	42.99%	0.00%	100.00%

Source: All Business loans 2012-2014 and 2014 Dunn and Bradstreet data

Table 2B - Borrower Distribution of Loans to Businesses by Loan Size in AA				
Loan Size	Number of Loans	Percent of Number	\$ Volume of Loans	% of Dollar Volume
\$0 - \$100,000	68	40.48	3,966,976	6.85
\$100,001 - \$250,000	39	23.21	6,624,091	11.44
\$250,001 - \$500,000	30	17.86	10,813,026	18.68
\$500,001 - \$1,000,000	16	9.52	11,945,805	20.63
Over \$1,000,000	15	8.93	24,545,257	42.40

Source: All Business loans 2012-2014 and 2014 Dunn and Bradstreet data

Geographic Distribution of Loans

The overall geographic dispersion of home purchase and small business loans is reasonable, and meets the standard for satisfactory performance given performance context. The tables below illustrate a reasonable dispersion of home purchase and small business loans in relation to the geographies. Additionally, we compared the Thrift's performance to aggregate HMDA lending data, which received more weight than demographic data for our analysis. As home purchase loans represented a majority of the Thrift's lending by both number of loans and dollar amount, they received more weight in reaching our conclusion. There were no unexplained conspicuous gaps in lending.

The geographic dispersion of home purchase loans is reasonable. As reflected in Table 3 below, the percentage of home purchase loans made in low-income geographies is near to the percentage of owner-occupied units in those geographies. The percentage of home purchase loans originated in low-income geographies exceeded the aggregate HMDA lending (0.88 percent) in low-income geographies. The distribution of home purchase loans in moderate-income geographies is reasonable. The percentage of home purchase loans made in moderate-income geographies is well below the percentage of owner-occupied units in those geographies. However, the percentage of home purchase loans originated in moderate-income geographies is near to the aggregate HMDA lending (10.81 percent) in those geographies.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase Loans	2.37	1.19	19.60	9.23	42.75	35.71	35.28	53.57

Source: All Business loans 2012-2014 and 2014 Dunn and Bradstreet data

The dispersion of small business loans is excellent. As reflected in Table 3A below, in low- and moderate-income geographies, the percentage of Oculina's small business lending exceeds the percentage of businesses in the AA. The table below compares

the percentage of businesses by census tract income level to the percentage of the number of loans Oculina made to borrowers in each type of census tract.

In low-income geographies, the percentage of Oculina’s small business lending is near to the percentage of aggregate loans made to borrowers in low census tracts. In moderate-income geographies, the percentage of Oculina’s small business lending exceeds the percentage of aggregate loans made to borrowers in moderate-income census tracts. The aggregate percentage of loans made in low- and moderate-income census tracts totaled 5.78 percent and 17.99 percent, respectively.

Table 3A - Geographic Distribution of Loans to Businesses and Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Business Loans	3.26	4.76	18.05	26.19	37.45	47.02	41.06	22.02

Source: All Business loans 2012-2014 and 2013 Dunn and Bradstreet data

Responses to Complaints

The Thrift received no CRA performance related complaints since the last evaluation.

Fair Lending or Other Illegal Credit Practices Review

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