



PUBLIC DISCLOSURE

October 17, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Auburn Savings Bank, FSB
Charter Number 701305

256 Court Street
Auburn, ME 04210-5402

Office of the Comptroller of the Currency

99 Summer Street
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 Outstanding

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

- Auburn Savings Bank, FSB's ("Auburn" or the "Bank") level of lending, as reflected in its loan-to-deposit ratio, is more than reasonable.
- A substantial majority of originated loans are made within the Bank's assessment areas.
- The distribution of loans reflects excellent distribution among borrowers of different income levels.
- The geographic distribution of loans reflects reasonable distribution in the low- and moderate-income census tracts.

SCOPE OF EXAMINATION

Auburn Savings was evaluated using Small Bank examination procedures, which includes a lending test. The evaluation period for the lending test covers the Bank's performance from January 1, 2011 through June 30, 2013. For the period from January 1, 2011 through December 31, 2011, the Bank's performance was compared to the 2000 U.S. Census data. For the period from January 1, 2012, through June 30, 2013, performance was compared to the 2010 U.S. Census data. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

Auburn's primary loan products, based on loan originations during the evaluation period, are one-to-four family residential mortgage loans, including home purchase, home improvement, and refinance loans. The June 30, 2013 Uniform Bank Performance Report shows residential loans represent 68% of the loan portfolio.

The Bank reports data under the requirements of Home Mortgage Disclosure Act (HMDA). We reviewed the testing results of the Bank's HMDA data and found the data reliable. All residential mortgage loans originated during the evaluation period were included in our analysis of the Bank's lending.

A full scope review was performed on AA 1 – Androscoggin County, while limited scope reviews were performed on AA 2 – non-metropolitan area (Non MSA) and AA 3 – Portland-South Portland, ME. Both of the Bank's full service branches/deposits are located within AA 1 and the majority of the Bank's loans, approximately 80%, are attributable to AA 1.

DESCRIPTION OF INSTITUTION

Auburn is a federally chartered stock savings association established in 1887, and headquartered in Auburn, Maine. As of June 30, 2013, the Bank had total assets of \$72.6 million and Tier 1 Capital of \$6.2 million. The Bank is a wholly owned subsidiary of Auburn Bancorp, Inc., with public shareholders holding a minority interest. Auburn Bancorp Inc. is majority owned by Auburn Bancorp, MHC, a mutual holding company.

The Bank has two branches, one in Auburn and one in Lewiston. Both locations are located in moderate-income census tracts situated within Androscoggin County, ME. Branch hours at each location are open from 9:00 am to 5:00 pm Monday through Friday. The Lewiston Branch is open on Saturdays from 9:00 am to 12:00 pm. No branches were opened or closed during the evaluation period.

Auburn is a full service, intrastate institution, offering a standard array of traditional loan and deposit products for both personal and business customers. Retail products include residential mortgages, auto loans, home equity loans, and personal loans. A program is offered for customers that qualify for home purchase and refinance loans, which allows customers to pay a flat \$500 fee to avoid paying high closing costs. More information can be found on all products at Auburn's website, <https://www.auburnsavings.com>. Deposit and loan product information can also be found in the Bank's public file.

As of June 30, 2013, total loans were \$62 million, or 85% of total assets. The distribution of the Bank's loan portfolio is provided in the table below.

| Loan Portfolio Summary by Loan Product as of June 30, 2013 | |
|---|------------------------------------|
| Loan Category | % of Gross Loans and Leases |
| 1-4 Family Residential Mortgage – Closed End | 68% |
| Home Equity | 8% |
| Commercial & Industrial | 15% |
| Other Real Estate | 6% |
| Construction and Development | 2% |
| Consumer | 1% |

Source: Federal Deposit Insurance Corporation (FDIC) Call Report

During the evaluation period, the Bank's ability to make commercial and residential loans was impacted by the terms of an agreement with its regulatory agency. The Bank was rated "Outstanding" using small bank procedures at the prior CRA examination dated November 7, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

The CRA requires a bank to define the AA in which it will be evaluated. Auburn has three AAs that includes all branches, as well as the contiguous towns/cities around

these offices. The Bank's AA meet the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

Full Scope AA 1 – Androscoggin County

AA 1 comprises all of the Lewiston-Auburn, ME Metropolitan Statistical Area (MSA), which is part of the Portland-Lewiston-South Portland, ME Combined Statistical Area (CSA). AA 1 includes the towns/cities of Auburn, Lewiston, Lisbon, Durham, Poland, Minot, Mechanic Falls, Turner, Livermore, Livermore Falls, Leeds, Greene, Sabattus, and Wales. During the assessment period, 80% of home mortgage loans were originated in Androscoggin County. In 2011, AA 1 was comprised of 28 tracts. There were three low-income tracts, four moderate-income tracts, 18 middle-income tracts, and three upper-income tracts. In 2012, AA 1 was comprised of 28 census tracts. There were two low-income tracts, five moderate-income, 16 middle-income tracts, and five upper-income tracts.

| Demographic Information for Auburn AA 1 (2011) | | | | | |
|--|---------|------------|----------------------------------|---------------|--------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| Geographies (Census Tracts) | 28 | 11% | 14% | 64% | 11% |
| Population by Geography | 103,793 | 6% | 14% | 67% | 13% |
| Owner-Occupied Housing by Geography | 26,655 | 1% | 8% | 75% | 16% |
| Family Distribution by Income Level | 27,480 | 18% | 19% | 24% | 39% |
| 2000 Census Median Family Income (MFI) | | \$44,123 | 2007- 2011 Median Housing Value* | | \$157,100 |
| HUD Updated MFI: 2011 | | \$56,800 | Households Below Poverty Level | | 12% |

Source: 2000 U.S. Census data

*Data from quickfacts.census.gov for Androscoggin County

| Demographic Information for Auburn AA 1 (2012 & 2013) | | | | | |
|---|---------|------------|--|---------------|--------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| Geographies (Census Tracts) | 28 | 7% | 18% | 57% | 18% |
| Population by Geography | 107,702 | 5% | 15% | 61% | 19% |
| Owner-Occupied Housing by Geography | 29,923 | 1% | 7% | 67% | 25% |
| Family Distribution by Income Level | 28,250 | 20% | 18% | 22% | 40% |
| 2010 Census Median Family Income (MFI) | | \$55,045 | Average Sale Price Through October 13, 2013* | | \$157,079 |
| HUD Updated MFI: 2012 | | \$57,600 | Households Below Poverty Level | | 14% |
| | | | Unemployment Rate** | | 6.7% |

Source: 2010 U.S. Census data

*Data from Zillow.com

**Data from U.S. Bureau of Labor Statistics as of 6/30/2013; Rate is for Androscoggin County

Auburn operates in a competitive market with competition from regional commercial banks and local savings banks. The Federal Deposit Insurance Corporation's Deposit Share Report for June 30, 2013, indicates that nine financial institutions operate within the Lewiston-Auburn, ME MSA. At June 30, 2012, Auburn ranks seventh with 4% of the market share. The Bank's local competitors include, but are not limited to, Androscoggin Savings Bank, Mechanics' Savings Bank, Northeast Bank, and Camden National Bank. Larger regional banks that provide further competition include TD Bank, National Association (N.A.) and KeyBank N.A.

Competition for the Bank's primary loan products is high as many nationwide lenders without offices inside the AA are present in the area's lending market. These lenders include Wells Fargo Bank, N.A.; Bank of America, N.A.; JPMorgan Chase Bank, N.A.; and Ally Bank. Also competing heavily are the previously mentioned nationwide, regional, and local institutions, as well as large mortgage companies such as GMAC Mortgage, LLC; Residential Mortgage Services; and Reliant Mortgage Company, LLC. Peer Mortgage 2011 Market Share data indicates that Auburn competes with 3,070 lenders within the Lewiston-Auburn, ME MSA.

The September 2013 Moody's Analytics report shows that as part of the Lewiston-Auburn, ME MSA, the economies of Androscoggin County trail Maine and the national recovery. Manufacturing payrolls are falling and job growth in education and healthcare sectors remains weak. The public sector added jobs and the labor force expanded through 2013. The metro area's unemployment rate of 6.7% is lower than the state unemployment rate of 6.8% and national unemployment rate of 7.2%. Top employers in the Lewiston-Auburn, ME MSA include Central Maine Healthcare Corp., St Mary's Regional Medical Center, and Bates College. Foreclosure filings are on the rise; however, the housing market is projected to stabilize over the next twelve months as new buyers enter the market and foreclosure inventories decrease.

During our evaluation, we held a discussion with a local community organization to identify the area's primary credit needs and the opportunities for financial institutions to assist in the community. Our contact is the Director of a state-sponsored community development organization that has programs that support affordable housing to low- and moderate-income individuals. The contact discussed several opportunities for participation by local financial institutions and the continued need for flexible financing opportunities for affordable housing among low- and moderate-income borrowers and financing for small businesses. The community contact stated that local financial institutions adequately meet the credit needs of the community; however, there are additional opportunities for more involvement.

Limited Scope AA 2 – Non MSA

AA 2 borders the Lewiston-Auburn ME, MSA and includes portions of Franklin, Kennebec, and Oxford counties. The AA includes the towns/cities of Jay, Monmouth, Litchfield, Fayette, Wayne, Canton, Hartford, and Buckfield. During the assessment period, 13% of home mortgage loans that were originated within the Bank's AA were originated in AA 2. In 2011, AA 2 was comprised of eight census tracts, with seven middle-income, and one upper-income tract. AA 2 remained unchanged in 2012.

Limited Scope AA 3 – Portland-South Portland, ME MSA

AA 3 includes portions of the Portland-South Portland ME, MSA, which is within the Portland-Lewiston-South Portland, ME CSA. The AA includes the towns/cities of Bowdoin, Topsham, New Gloucester, Pownal, Raymond, Freeport, Casco, and Brunswick, which lie within Sagadahoc and Cumberland counties. During the assessment period, 7% of home mortgage loans that were originated within the Bank's AA were originated in AA 3. In 2011, AA 3 was comprised of ten census tracts, all middle-income tracts. In 2012, AA 3 was comprised of 11 census tracts. There was one moderate-income, seven middle-income tracts, and three upper-income tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Auburn's performance under the lending test is outstanding. Auburn's loan-to-deposit ratio is more than reasonable and a substantial majority of the Bank's loans are originated inside the Bank's AAs. The distribution of loans reflects excellent distribution among borrowers of different income levels. The geographic distribution of loans reflects reasonable distribution in the low- and moderate-income census tracts.

Loan-to-Deposit Ratio

The Bank's net loan-to-deposit (LTD) ratio is more than reasonable given the Bank's size, AA credit needs, significant market competition, and economic factors. The ratio averaged 122% over the last 23 quarters and ranged from a high of 132%, at December

31, 2009, to a low of 110% at December 31, 2012. The ratio stands at 116% at June 30, 2013. Auburn's LTD ratio is high than the quarterly average for peer institutions of 84% over the same period.

Lending in Assessment Area

A substantial majority of the Bank's primary loan products were originated within its assessment areas during our review period and as a result, the Bank meets the standard for outstanding performance. During the review period, 87% of the Bank's primary loan product was originated within its AAs, representing 84% of the total dollar amount.

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

| Lending in ASB AA (000s) | | | | | | | | | | |
|---------------------------------|-----------------|-----|---------|-----|-------|------------------|-----|---------|-----|----------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase | 28 | 80% | 7 | 20% | 35 | \$2,933 | 78% | \$814 | 22% | \$3,747 |
| Home Refinance | 221 | 88% | 30 | 12% | 251 | \$26,688 | 85% | \$4755 | 15% | \$31,443 |
| Home Improvement | 3 | 75% | 1 | 25% | 4 | \$315 | 76% | \$100 | 24% | \$415 |
| Totals | 252 | 87% | 38 | 13% | 290 | \$29,936 | 84% | \$5669 | 16% | \$35,605 |

Source: HMDA-reported data from 1/1/2011-6/30/2013.

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

The distribution of home loans to borrowers reflects excellent distribution among borrowers of different income levels. The majority of loans originated in the evaluation period were made in 2012 and 2013; therefore, more weight was placed on performance in 2012 and 2013, compared to 2011.

Conclusion for Full Scope AA 1

There is reasonable distribution of home loans to borrowers of different income levels for loans originated in 2011. The percent of home purchase loans and home refinance loans made to low-income borrowers significantly exceeds the percent of aggregate lending data, which is our primary comparator. The percent of home refinance loans made to moderate-income borrowers is near to the percent of aggregate lending data. The Bank did not originate any home improvement loans to low- and moderate-income borrowers. The percent of home purchase loans made to moderate-income borrowers is below the percent of aggregate lending data in the AA. According to the U.S. Census Bureau's median housing price of \$157,100, housing costs are high relative to the HUD adjusted median family income. For 2011, the HUD adjusted median family income was \$56,800, which means the maximum income for low-income families is \$28,400, making it difficult to qualify for loans.

Market competition for home mortgage loans is significant. According to Peer Mortgage 2011 Market Share data, mortgage lending in AA 1 is dominated by larger institutions with the top five institutions holding approximately 42% of the market share. Auburn ranks 21st with a market share of 1%. The Bank's performance is considered satisfactory given the cost of housing, the strong level of competition, and current economic environment in the AA.

The following tables show the aggregate lending data for HMDA reporters within the Bank's AA, as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

| Aggregate Lending Data for Borrower Distribution in AA 1 (2011) | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % Aggregate Data | % of Number of Loans | % Aggregate Data | % of Number of Loans | % Aggregate Data | % of Number of Loans | % Aggregate Data | % of Number of Loans |
| Home Purchase | 9% | 50% | 35% | 13% | 28% | 13% | 28% | 24% |
| Home Improvement | 11% | 0% | 23% | 0% | 24% | 50% | 42% | 50% |
| Home Refinance | 5% | 8% | 18% | 12% | 24% | 28% | 53% | 52% |

| Borrower Distribution of Residential Real Estate Loans in AA 1 (2011) | | | | | | | | |
|--|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of Families | % of Number of Loans | % of Families | % of Number of Loans | % of Families | % of Number of Loans | % of Families | % of Number of Loans |
| Home Purchase | 18% | 50% | 19% | 13% | 24% | 13% | 39% | 24% |
| Home Improvement | 18% | 0% | 19% | 0% | 24% | 50% | 39% | 50% |
| Home Refinance | 18% | 8% | 19% | 12% | 24% | 28% | 39% | 52% |

Source: HMDA-reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data

There is excellent distribution of home loans to borrowers of different income levels originated during 2012 and the first six months of 2013. The data used for the Bank's primary comparator, aggregate HMDA data, was unavailable at the time of our analysis. Therefore, we used the percentage of families by income level as the comparator for this analysis. The percent of home purchase, home improvement, and home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. The Bank's percentage of home purchase and home refinance loans made to

moderate-income borrowers exceeds the percentage of moderate-income families within the AA.

Auburn's performance in 2012 and 2013 is considered excellent given the continued level of competition and lack of affordable housing. Low-income borrowers continued to have difficulties affording home loans during this period. The 2012 HUD adjusted median income was \$57,600; this income level indicates that low-income families earn a maximum income of \$28,800, while the average home sale price was \$157,079.

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 AA 1 (2012 & 2013) | | | | | | | | |
|--|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of Families | % of Number of Loans | % of Families | % of Number of Loans | % of Families | % of Number of Loans | % of Families | % of Number of Loans |
| Home Purchase | 20% | 14% | 18% | 21% | 22% | 14% | 40% | 51% |
| Home Improvement | 20% | 0% | 18% | 0% | 22% | 0% | 40% | 100% |
| Home Refinance | 20% | 5% | 18% | 19% | 22% | 31% | 40% | 45% |

Source: HMDA-reported data from 1/1/2012-6/30/2013; 2010 U.S. Census data

Conclusion for Limited Scope AA 2

Based on a limited-scope review, Auburn's borrower distribution of home loans in AA 2 is not inconsistent with the Bank's overall performance in the full scope area.

Conclusion for Limited Scope AA 3

Based on a limited-scope review, Auburn's borrower distribution of home loans in AA 3 is not inconsistent with the Bank's overall performance in the full scope area.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution in the low- and moderate-income tracts in AA 1. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

Conclusion for Full Scope AA 1

The Bank's geographic distribution of home loans in 2011 reflects reasonable distribution in the low- and moderate-income tracts. The Bank made no home purchase, home improvement, or refinance loans in the low-income tracts, and made no

home purchase or home improvement loans in the moderate-income tracts. The percent of Auburn's lending for home refinance loans exceeds the percent of aggregate lending data, and meets the percent of owner occupied housing in the moderate-income geographies. Demographics support limited lending opportunities, as aggregate lending data is very low, ranging from 1 to 3%, in the low-income tracts. The percent of owner occupied housing is also very low at 1%. Auburn's performance is satisfactory given the market competition and limited lending opportunities in the low-income tracts.

The following tables detail the lending data for all HMDA reporters within the Bank's AA as well as the Bank's performance compared to the percent of owner-occupied housing units in each census tract income level.

| Aggregate Lending Data for Geographic Distribution in AA 1 (2011) | | | | | | | | |
|---|--------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % Aggregate Lending Data | % of Number of Loans | % Aggregate Lending Data | % of Number of Loans | % Aggregate Lending Data | % of Number of Loans | % Aggregate Lending Data | % of Number of Loans |
| Home Purchase | 1% | 0% | 7% | 0% | 75% | 100% | 17% | 0% |
| Home Improvement | 3% | 0% | 4% | 0% | 76% | 100% | 17% | 0% |
| Home Mortgage Refinance | 1% | 0% | 4% | 8% | 74% | 92% | 21% | 0% |

| Geographic Distribution of Residential Real Estate Loans in AA 1 (2011) | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| 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 | 1% | 0% | 8% | 0% | 75% | 100% | 16% | 0% |
| Home Improvement | 1% | 0% | 8% | 0% | 75% | 100% | 16% | 0% |
| Home Mortgage Refinance | 1% | 0% | 8% | 8% | 75% | 92% | 16% | 0% |

Source: HMDA-reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data

The Bank's geographic distribution of home loans reflects reasonable distribution within the low- and moderate-income tracts during 2012 and 2013. The data used for the Bank's primary comparator, aggregate HMDA data, was unavailable at the time of our analysis. Therefore, we used the percentage of owner occupied housing as the comparator for this analysis. The percent of lending for home refinance loans equals the percent of owner occupied housing in the low-income geographies and is near to the percent of owner-occupied housing in the moderate-income geographies. The Bank

did not originate any home purchase or home improvement loans in the low- or moderate-income tracts. Demographics support the limited lending opportunities, as the percent of owner occupied housing in the low-income tracts is very low at 1%. Auburn's performance is considered satisfactory given the level of competition and limited lending opportunities.

The following table details the Bank's performance compared to the percent of owner-occupied housing units in each census tract income level.

| Geographic Distribution of Residential Real Estate Loans in AA 1 (2012 & 2013) | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| 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 | 1% | 0% | 7% | 0% | 67% | 64% | 25% | 36% |
| Home Improvement | 1% | 0% | 7% | 0% | 67% | 0% | 25% | 100% |
| Home Mortgage Refinance | 1% | 1% | 7% | 5% | 67% | 62% | 25% | 32% |

Source: HMDA-reported data from 1/1/2012-6/30/2013; 2010 U.S. Census data

Conclusion for Limited Scope AA 2

An analysis of the geographic distribution for 2011, 2012, or 2013 is not applicable as there are no low- or moderate-income tracts in this AA.

Conclusion for Limited Scope AA 3

Based on a limited-scope review, Auburn's distribution in the low- and moderate-income tracts is inconsistent with the Bank's overall performance in the full scope area for 2012 and 2013. No loans were made in the low- or moderate-income tracts. However, due to the small number of home mortgage originations made during the evaluation period in this AA, this performance did not weigh heavily. In 2011, there were no low- or moderate-income tracts in this AA.

Responses to Complaints

There were no CRA complaints received by the Bank or the agency 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 (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.