



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 01, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Scituate Federal Savings Bank
Charter Number 705316

72 Front Street
Scituate, MA 02066-1314

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 CRA RATING: This institution is rated "Outstanding."

The primary factors which support the bank's overall rating include:

- The distribution of residential mortgages reflects excellent distribution to low- and moderate-income individuals.
- A substantial majority of loans were made inside the bank's assessment area.
- The average net loan-to-deposit ratio is reasonable and averaged 76% since the last CRA examination.

SCOPE OF EXAMINATION

Scituate Federal Savings Bank (the bank, SFSB) was evaluated using small bank Community Reinvestment Act (CRA) procedures, which includes a lending test. The evaluation period for the lending test is January 1, 2010 through December 31, 2011. SFSB's primary loan product, based on loans originated during the evaluation period, is residential mortgage loans, including home purchase, home refinance, and home improvement loans. Residential mortgage loans comprise 80% of the bank's loan portfolio. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). We reviewed the testing results of the bank's HMDA data for residential real estate loans and found that the data was reliable. All residential real estate loans originated or purchased during the evaluation period were included in our evaluation of the bank's lending.

DESCRIPTION OF INSTITUTION

Scituate Federal Savings Bank is a federally chartered mutual thrift institution, with total assets of \$267 million at June 30, 2012. The bank is headquartered in Scituate, MA and wholly owned by Satuit Mutual Holding Company. The bank continues to operate as a traditional thrift, primarily offering residential loan products.

The bank has five branches, one each in Scituate, Norwell and Hingham, and two branches in Marshfield. Branch hours are reasonable, as each location is open generally from 8:30am to 4:30pm Monday through Thursday, with hours extended until 6:00pm on Fridays. Branches are open from 8:30am to 12:30pm on Saturdays.

The distribution of the bank's loan portfolio as of June 30, 2012 is reflected in the table below.

Loan Portfolio Summary by Loan Product June 30, 2012	
Loan Category	% of Average Gross Loans and Leases
1-4 Family Residential Mortgage	80%
Other Real Estate	15%
Construction and Development	3%
Consumer	2%

*June 2012 Call Report

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory," using small bank procedures, at the last CRA examination, dated September 28, 2009.

Selection of Areas for Full-Scope Review

The Community Reinvestment Act requires a bank to define an assessment area (AA) in which it will be evaluated. SFSB has offices only in Massachusetts, and has one assessment area. As a result, the entire AA received a full-scope review.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of eight towns that are part of Plymouth County, and one town in Norfolk County; both of which are inside of the Boston-Quincy metropolitan statistical area (MSA). The AA contains 25 census tracts (CTs), consisting of 21 upper-income tracts and four middle-income tracts. There are no low- or moderate-income tracts within the AA.

Competition within the bank's AA is significant. Deposit market share is dominated by large national and regional banks such as State Street Bank and Trust Company, Bank of America, N.A., Sovereign Bank, N.A., and RBS Citizen's N.A. Local credit unions and savings associations such as Rockland Trust Company and South Shore Savings Bank provide further competition for deposits. According to the Federal Deposit Insurance Corporation's Deposit Market Share Report, SFSB ranks 76th out of 146 institutions, with 0.10% of the deposit market share in the AA. Competition for loans is presented by the aforementioned institutions, as well as large mortgage companies such as Mortgage Master, Inc. and PHH Mortgage Corporation.

The local market economy for the Boston-Quincy MSA is recovering, as job growth exceeds the national average, and unemployment in the state remains below the average. Jobs and opportunities in the area, according to Moody's Analytics, are in the biotechnology and finance fields, as they are the industries fueling the recovery from the recent recession. The bank's AA, while included in the Boston-Quincy MSA, is a suburban area south of the city of Boston known as the "south shore." This area is not home to large biotechnology firms, as most are headquartered to the north and northwest of Boston. There are no major employers in the bank's AA, with the most

prominent being the towns themselves. However, technology companies, hospitals, and other large employers are commutable to residents in the AA.

A community contact identified that the primary credit needs in the state include affordable rental housing, foreclosure prevention assistance, and financial literacy.

Demographic information for the bank's AA and the state of MA can be found in the table below:

Demographic Information for SFSB's AA*					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	25	0%	0%	16.00%	84.00%
Family Distribution by Income Level	36,787	10.02%	12.58%	20.30%	57.10%
Household Distribution by Income Level	52,183	0%	0%	15.89%	84.11%
2000 Census Median Family Income (MFI)		\$62,948	Median Housing Sale Price**	\$465,144	
			Median Age of Housing	52 years	
HUD Updated MFI: 2011		\$87,600	Families Below the Poverty Level	4.59%	
2000 Census Median Housing Value		\$271,184	Unemployment Rate ***	6.3%	

*Information from 2000 Census unless otherwise noted

**Information compiled from an average of Zillow.com sales prices for each town in AA

***Unemployment rate for entire state of MA as of August 2012 (Bureau of Labor Statistics)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable and averaged 76% over the last 14 quarters since the previous CRA examination. During this period, the loan-to-deposit ratio ranged from a quarterly low of 72% to a high of 78%. SFSB's loan-to-deposit ratio is lower than the peer group median quarterly average 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 area, with 82% of the number, and 85% of the dollar amount in the AA.

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

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	46	71.87	18	28.13	64	14,219	78.61	3,870	21.39	18,089
Home Refinance	163	84.46	30	15.54	193	41,006	87.16	6,043	12.84	47,049
Home Improvement	44	83.02	9	16.98	53	11,123	87.94	1,526	12.06	12,649
Totals	253	81.61	57	18.39	310	66,348	85.29	11,439	14.71	77,787

Source: data reported under HMDA

Lending to Borrowers of Different Incomes

The distribution of home loans reflects excellent distribution among borrowers of different income levels. The percentage of home purchase loans to low-income borrowers is below the percent (10%) of low-income families; however is higher than, nearly double, the aggregate lending data for the industry, which is the primary comparator. The percentage of home purchase loans to moderate-income borrowers equals both the percent (13%) of moderate-income families and the aggregate loan data.

The percentage of home improvement loans to low-income borrowers is below the percent of low-income families and equals the aggregate loan data, the primary comparator. The percent of home improvement loans to moderate-income borrowers, is near to the percent of moderate-income families, and below the aggregate data, but remains reasonable.

The percentage of home refinance loans to low-income borrowers is below the percent of low-income families; however is significantly higher than the aggregate loan data, when considering that low-income families only comprise 10% of the population in the bank's assessment area. The percentage of home refinance loans to moderate-income individuals exceeds both the percent of moderate-income families residing in the AA and the aggregate data for the industry.

This performance is considered outstanding. SFSB is positioned in the middle of market share for total loans originated or purchased in the AA. However, performance is notable, as the bank ranks third out of 35 lenders for home purchases to low-income individuals, and fifth out of 15 lenders for home improvement loans to low-income borrowers.

The AA's median income is high at \$87,600. Low-income families would have an MFI of \$43,800, and moderate-income families would range from \$43,801-70,080. Given that the median sale price of a home in the bank's AA is \$465,144, low-income borrowers, and a portion of moderate-income borrowers would have difficulty qualifying for a mortgage.

The table below shows the bank's percentage of loans by borrower income distribution, as compared to the aggregate industry data:

Table 2– Aggregate Lending Data for Borrower Distribution								
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	3.54	6.52	13.31	13.04	20.38	15.22	62.77	65.22
Home Improvement	4.82	4.55	17.32	11.36	27.85	27.27	50.01	56.82
Home Refinance	1.77	4.29	10.16	14.72	22.74	23.93	65.33	57.06

Source: data reported under HMDA.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. The bank's assessment area consists of 25 census tracts, all of which are middle- or upper-income tracts.

Responses to Complaints

Neither the bank nor the OCC received CRA complaints on Scituate Federal Savings Bank since the prior examination.

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.