



PUBLIC DISCLOSURE

March 05, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mutual Savings Bank
Charter Number 704516

330 W. Carolina Ave
Hartsville, SC 29550-4522

Office of the Comptroller of the Currency

212 South Tryon St.
Suite 700
Charlotte, NC 28281

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.

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Overall CRA Rating: Satisfactory

The Lending Test is rated: Satisfactory

Mutual Savings Bank has a Satisfactory record of meeting the needs of the assessment area. The major factors that support this rating are as follows:

- Mutual Savings Bank's loan-to-deposit ratio is reasonable.
- A substantial majority of homes loans are within the bank's assessment area.
- The distribution of loans to borrowers of different income levels reflects reasonable penetration among borrowers in the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- There have been no complaints with respect to the bank's CRA performance during this evaluation period.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

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, which 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).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has, as its primary purpose, community development.

Rated Area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

Mutual Savings Bank (MSB) is a single state financial institution headquartered in Hartsville, SC that operates one banking office. The bank opened for business in 1936. The bank's main office is located in Hartsville, SC, and its Assessment Area (AA) is Darlington County.

MSB offers a full range of banking products and services. As of December 31, 2017, total assets were \$37.6 million with net loans representing 52.66 percent of total assets. The bank's primary loan product is home mortgage loans. Real estate lending represents 88 percent of the total loan portfolio, with the remaining 10 percent in consumer lending and 2 percent in business lending. This loan mix is consistent with MSB's overall strategic goals and objectives. Competitors include Dedicated Community Bank, Heritage Community Bank, Carolina Bank & Trust Co.

As of December 31, 2017, the bank's tier 1 capital was \$13.6 million, and total risk-based capital to risk-weighted assets equaled 60 percent. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs in its AA.

According to the Federal Depository Institution Corporation (FDIC) Deposit Market Share Report as of June 30, 2017, there were eight banks with 15 bank offices operating in Darlington County, SC. MSB ranked last (eighth) in total deposits with just 4.12 percent deposit market share.

MSB received a "Satisfactory" CRA rating in the last CRA public evaluation dated July 11, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under small bank examination procedures. In evaluating the bank's lending performance under the lending test, we reviewed home mortgage loans that would be subject to filing under the Home Mortgage Disclosure Act (HMDA). The CRA evaluation period is July 12, 2012, through December 31, 2016. The loan sampling period covers years 2014, 2015, and 2016. The sample is representative of the bank's business strategy since the last examination.

Data Integrity

As part of this CRA evaluation, we tested information the bank maintains on home loans in our sampling period for accuracy. No material errors were found in the loan data. This evaluation is based on accurate data.

Selection of Areas for Full-Scope Review

We completed a full scope review on the bank's AA of Darlington County. Refer to the table in Appendix A for more information.

Ratings

The bank's overall rating is based on the full scope review of Darlington County.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

MSB’s CRA performance is Satisfactory. The lending test revealed satisfactory performance. MSB received no CRA related complaints during the evaluation period.

LENDING TEST

The bank’s overall lending performance is Satisfactory. This conclusion is based upon the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AA. Criteria of the specific lending tests are detailed below.

Loan-to-Deposit Ratio

MSB’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition and the AA credit needs. Since the last CRA examination with financial information as of March 31, 2012, the bank’s LTD ratio averaged 75.08 percent over 19 quarters. This ratio ranged from a quarterly low of 68.38 percent to a quarterly high of 80.85 percent during the evaluation period.

The bank’s loan-to-deposit ratio is reasonable when compared to other similarly situated financial institutions in the bank’s AA. We compared MSB’s LTD ratio to its three competitors that we identified on the Darlington County FDIC Deposit Market Share Report and through discussions with management. MSB ranks third among four similarly situated banks. The average loan-to-deposit ratio for the other four banks over the same 19 quarters ranged from 67.88 percent to 88.26 percent.

Lending in Assessment Area (AA)

The bank originated a substantial majority of its home mortgage loan inside the bank’s AA. The following table details the bank’s lending within the AA by number and dollar amount of loans. MSB originated eighty-three percent of its home loans in the AA.

Table 1 - Lending in Darlington County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	35	83.33	7	16.67	42	4,862	74.39	1,674	25.61	6,536
Totals	35	83.33	7	16.67	42	4,862	74.39	1,674	25.61	6,536

Source: Loan sample.

Lending to Borrowers of Different Incomes

The bank’s borrower distribution of home loans in the AA reflects reasonable penetration. While there are no loans to low-income families compared to 21.42 percent of low-income families in Darlington County, this is explained through the high

poverty level and high competition in the AA. Nineteen percent of households in Darlington County are below the poverty level, which limits the bank’s ability to lend. The high level of competition in the AA stems from eight banks with 15 total banking offices of various sizes in the AA, and 24 finance companies in Hartsville, SC and Darlington, SC. MSB has the lowest deposit market share of the eight banks at 4.12 percent. Additionally, the finance companies offer smaller size loans than MSB, which increases the demand for loans from the finance companies. The bank’s penetration in the moderate census tracts is reasonable. The bank’s percentage of loans to moderate-income families is only slightly below the percent of moderate-income families in AA.

Broader Regional Area

While the bank’s number of loans to low- and moderate-income families is lower than the demographic comparators in its AA, the bank made efforts to make loans to low- and moderate-income families in the greater statewide and regional area. During the evaluation period, the bank participated in three loans through the Community Investment Corporation of the Carolinas (CICCAR) program totaling \$400 thousand. These loans helped generate affordable housing for low- and moderate-income families in Wake County, NC, Anderson County, SC and Pickens County, GA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Darlington County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Loans	21.42	0	18.60	17.14	19.56	11.43	40.42	71.43

Source: Loan sample and 2010 U.S. Census data

Geographic Distribution of Loans

The bank’s geographic distribution of home loans in the AA reflects reasonable dispersion throughout the census tracts of different income levels. There are no low-income tracts within the AA, which explains why the bank has no loans in these tracts. Further, the bank’s only location is not near two of the three moderate-income census tracts in the AA. The moderate-income tract near the branch has the third lowest population in Darlington County, and there is a low number of owner occupied units in this census tract. There are only 536 owner occupied units in the census tract, limiting the bank’s ability to make home loans in this tract.

Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Darlington County 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 Loans	0	0	14.66	0	66.40	62.86	18.94	37.14

Source: Loan sample; 2010 U.S. Census data

Responses to Complaints

The bank had no CRA related complaints.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (07/12/2012 to 12/31/2016) Investment and Service Tests and CD Loans: NA	
Financial Institution	Products Reviewed	
Mutual Savings Bank, Hartsville, SC	Home Loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Darlington County, SC	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Darlington County

Demographic Information for Darlington County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0	19	62	19	-
Population by Geography	68,681	0	17	66	17	-
Owner-Occupied Housing by Geography	30,271	0	15	66	19	-
Businesses by Geography	2,683	0	20	60	20	-
Farms by Geography	148	0	6	75	19	-
Family Distribution by Income Level	17,368	0	17	63	20	-
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6951	0	23.56	64.31	12.13	-
Median Family Income		Median Housing Value				
HUD Adjusted Median Family Income for 2016	= \$48,118					= \$84,406
Households Below the Poverty Level	= \$48,400		Unemployment Rate			= 6.8%
	= 19%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 HUD updated MFI.

The bank has one AA, all of Darlington County. The bank’s AA meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

As of December 31, 2016, the unemployment rate in Darlington County was at 6.8 percent, which was higher than the state unemployment rate of 5.0 percent. Major employers for Darlington County include Sonoco Products Company, Nucor Corp, Caresouth Carolina, Coker College, Duke Energy, Darlington County Government, and Darlington County School District.

As part of our review, we incorporated information obtained from a local community contact. From this discussion, we determined that the needs of the AA were affordable quality rental and owner occupied properties. The contact described the economic condition of the AA as “below average, but improving.” The contact indicated that the local banks in the community do an adequate job of meeting the banking and credit needs of the local citizens.