



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 11, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mutual Savings Bank
Charter Number 704516

330 W. Carolina Avenue
Hartsville, SC 29550-4522

Office of the Comptroller of the Currency

212 South Tryon
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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable;
- A majority of the bank's loans are made within the bank's assessment area;
- The distribution of loans to borrowers of different income level reflects reasonable penetration; and
- No complaints were received during this evaluation period.

SCOPE OF EXAMINATION

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 subject to filing under the Home Mortgage Disclosure Act (HMDA). The evaluation period for HMDA loans is January 1, 2010 through December 31, 2011. The evaluation period for the loan-to deposit ratio is June 25, 2007 through March 31, 2012.

As part of this CRA evaluation, we tested the bank's publicly filed information for accuracy. No material errors were found in the loan data. This evaluation is based on accurate information.

DESCRIPTION OF INSTITUTION

Mutual Savings Bank (MSB) is an intrastate 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.

MSB offers a full range of banking products and services. As of March 31, 2012 total assets were \$42.9 million with net loans representing 53.68 percent of total assets. The bank's primary loan product is home mortgage loans. Residential lending represents 60 percent of the total loan portfolio with the remaining 32 percent in small business lending and 8 percent in consumer lending. This loan mix is consistent with MSB's overall strategic goals and objectives. Competitors include Dedicated Community Bank, Heritage Community Bank, First Bank and Palmetto Savings Bank F.S.B.

The bank's Tier one capital is \$14.2 million and their risk-based capital to risk weighted assets equals 39 percent. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs in its assessment area.

According to the Federal Depository Institution Corporation Market Share Report, there were 18 banks operating in the Florence Metropolitan Statistical area (MSA) as of June 30, 2011. MSB ranked fifteenth in total deposits with just over 1 percent of the market share.

MSB received a “Satisfactory” CRA rating in the last CRA public evaluation dated June 25, 2007.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA) located in Darlington County. The AA consists of the entire Darlington County. The bank’s AA meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

Darlington County Assessment Area

The AA consists of 1 low-income census tract (6 percent), 5 moderate-income census tracts (31 percent), 7 middle-income census tracts (44 percent) and 3 upper-income census tracts (19 percent). There are no distressed or underserved middle-income census tracts in the AA. We evaluated lending to borrowers of different incomes based on the HUD updated MSA median family income of \$51,100.

Demographic Information for the Darlington County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	16	6%	31%	44%	19%
Population by Geography	67,394	5%	30%	48%	17%
Owner-Occupied Housing by Geography	28,942	4%	28%	50%	19%
Businesses by Geography	4,570	5%	30%	45%	20%
Farms by Geography	202	2%	22%	64%	12%
Family Distribution by Income Level	18,522	4%	29%	48%	18%
Household Distribution by Income Level	25,852	9%	38%	41%	12%
Census Median Family Income (MFI)		\$40,070	Median Housing Value		\$59,943
HUD-Adjusted MFI: 2010		\$49,800	Families Below the Poverty Level		20%
HUD- Adjusted MFI: 2011		\$51,100	Unemployment Rate		10.8%

Source: 2000 U.S. Census Data

According to the Bureau of Labor Statistics, as of December 31, 2011, the unemployment rate was at 10.8 percent and higher than the state unemployment rate of 9.6 percent. Major employers for Darlington County include Bi-Lo Inc, Caresouth Carolina, Coker College and Darlington County.

As part of our review, we also incorporated information obtained from a local community contact. The contact consisted of an affordable housing agency. From this discussion, we determined that the needs of the AA were affordable quality rental properties.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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. All criteria of the specific lending tests are documented below.

Loan-to-Deposit Ratio

- **The bank’s average loan-to-deposit ratio is reasonable.**

MSB’s loan-to-deposit (“LTD”) ratio is reasonable given the bank’s size, financial condition and AAs’ credit needs. Since the last CRA examination in June 2007, the bank’s LTD ratio averaged 82.09 percent over 20 quarters. This ratio ranged from a quarterly low of 74.63 percent to a quarterly high of 88.27 percent during the time period. The bank’s LTD ratio compares favorably with other similarly sized financial institutions in South Carolina, which was 88.32 percent. MSB ranks fourth among a total of five similarly situated banks. The peer average LTD ratio over the same 20 quarters ranged from a low of 51.84 percent to a high of 108.47 percent.

Lending in Assessment Area

- **A majority of MSB’s lending is inside the assessment area.**

The bank originated the majority of its home mortgage loan inside the bank’s assessment area. Seventy-nine percent of the loans originated in these primary loan products were made within the AA. The following table details the bank’s lending within the AA by number and dollar amount of loans.

Table 1 - Lending in Darlington County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	9	69.23	4	30.77	13	1,415	71.39	567	28.61	1,982
Home Refinance	31	83.78	6	16.22	37	4,173	81.36	956	18.64	5,129
Home Improvement	1	50.00	1	50.0	2	4,179	81.30	961	18.70	5,140
Business	0	0	0	0	0	0	0	0	0	0
Totals	41	78.85	11	21.15	52	5,594	78.55	1,528	21.45	12,251

Source: HMDA data 2010-2011

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

- **MSB’s lending to borrowers of different income levels reflects reasonable penetration.**

MSB's distribution of home loans reflects reasonable penetration. We reviewed all home purchase, home refinance and home improvement loans originated during 2010 and 2011 made within the AA to determine the bank's distribution of lending to borrowers of different incomes. The bank did not have enough loans to businesses of different sizes to make a meaningful evaluation.

The following table shows the distribution of home loan products among borrowers of different levels for the period of January 1, 2010 through December 31, 2011.

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 Purchase	25.20	11.11	17.10	22.22	20.19	22.22	37.51	33.33
Home Refinance	25.20	3.23	17.10	6.45	20.19	19.35	37.51	64.52
Home Improvement	25.20	0	17.10	0	20.19	100	37.51	0

Source: HMDA data for 2010-2011 and 2000 U.S. Census data

Geographic Distribution of Loans

- **The banks geographic distribution of loans reflects poor dispersion.**

The bank's geographic distribution of home loans in the AA reflects poor dispersion throughout the census tracts of different income levels. While the level of home loans originated in the low- and moderate-income census tracts is poor, this is mitigated by the low HMDA volume, high unemployment rate and the credit needs of the AA. The total HMDA loans for the evaluation period were 69 loans. The AA unemployment rate of 10.8 percent is higher than the state unemployment rate of 9.6 percent. The needs identified for the AA were more affordable rental properties.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract level.

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	50.86	0	61.58	33.33	72.38	33.33	75.70	33.33
Home Refinance	50.86	0	61.58	16.13	72.38	58.06	75.70	25.81
Home Improvement	50.86	0	61.58	0	72.38	0.00	75.70	100.00

Source: HMDA data for 2010-2011 and 2000 U.S. Census data

Responses to Complaints

The bank had no CRA related complaints.

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.