

Decision of November 16, 2015

By the [Division of Banks](#)

DECISION
RELATIVE TO THE MERGER OF
SCITUATE FEDERAL SAVINGS BANK, SCITUATE, MASSACHUSETTS
WITH AND INTO
COASTAL HERITAGE BANK, WEYMOUTH, MASSACHUSETTS

Coastal Heritage Bank, Weymouth, Massachusetts (Coastal Heritage) has applied to the Division of Banks (Division) for approval to merge with Scituate Federal Savings Bank, Scituate, Massachusetts (Scituate Federal) pursuant to Massachusetts General Laws chapter 167H, section 7 and 167I, section 3 under the terms of an Agreement and Plan of Merger dated as of June 1, 2015 (Agreement). The Agreement provides for the merger of Scituate Federal with and into Coastal Heritage under the charter and bylaws of Coastal Heritage. The continuing bank will retain all five banking offices of Scituate Federal as branch offices following the merger. The merger application was filed in connection with a multi-step transaction in which South Shore Mutual Holding Company, Weymouth, Massachusetts (South Shore MHC) will acquire Satuit Mutual Holding Company, Scituate, Massachusetts (Satuit MHC) pursuant to Massachusetts General Laws chapter 167H, section 7. Coastal Heritage changed its name from S-Bank during the pendency of this decision.

Coastal Heritage is a Massachusetts-chartered co-operative bank and is the sole banking subsidiary of South Shore MHC. In addition to its main office located in Weymouth, Massachusetts, Coastal Heritage operates three branch offices in Quincy, East Bridgewater, and Hanover, Massachusetts. Coastal Heritage's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation (FDIC) and by the Share Insurance Fund of the Co-operative Central Bank for amounts that exceed FDIC limits. Coastal Heritage has three wholly owned subsidiaries named South Shore Security Corporation, South Shore Security Corporation II, and The South Shore Community Development Corporation. A fourth subsidiary named Hannah Brook, LLC is owned jointly by Coastal Heritage and Satuit Land, LLC, a wholly owned subsidiary of Scituate Federal. As of September 30, 2015, Coastal Heritage had total assets of approximately \$199 million and total deposits of approximately \$169.9 million.

Scituate Federal is a federally chartered savings bank and is the sole banking subsidiary of Satuit Bancorp, which will merge with and into Satuit MHC, its parent company, as part of the proposed transaction. In addition to its main office located in Scituate, Massachusetts, Scituate Federal operates four branch offices in Marshfield, Green Harbor, Norwell, and Hingham, Massachusetts. The deposits of Scituate Federal are insured up to allowable limits by the FDIC. Scituate Federal has two wholly owned subsidiaries named Front Street Securities Corporation and Satuit Land, LLC. As of September 30, 2015, Scituate Federal had total assets of approximately \$296.6 million and total deposits of approximately \$240.7 million.

The authority for a mutual holding company to acquire control of a federally chartered bank holding company and its subsidiary banking institution without the prior written approval of the Massachusetts Board of Bank Incorporation (BBI) was established by Chapter 482 of the Acts of 2014 and is codified at Massachusetts General Laws chapter 167A, section 3. The exemption from the requirement to obtain approval from the BBI will apply if: (i) the acquired institution is merged simultaneously with the acquiring entity's acquisition of the capital stock of such acquired institution; (ii) the acquired institution is not operated by the acquiring entity as a separate banking institution; and (iii) the transaction requires the approval of the Commissioner of Banks pursuant to the Massachusetts General Laws. Information reported in the application establishes that: (i) the merger of Scituate Federal with and into Coastal Heritage will occur at the time of the merger of Satuit MHC with and into South Shore MHC; (ii) Scituate Federal will not be operated as a separate banking institution following the merger; and (iii) the merger requires the approval of the Commissioner of Banks under Massachusetts General Laws chapter 167I, section 3. This transaction is therefore exempted from the BBI

approval requirement.

In reviewing the proposed transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (MHPF) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF's various affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated October 20, 2015.

Notice of Coastal Heritage's application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired. Therefore, the application and all documents and materials related to this transaction have been reviewed in accordance with the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage as well as "net new benefits" will be promoted by approval of the proposed merger. The Division also reviewed and considered both banks' records of performance under the Community Reinvestment Act (CRA).

Materials have been submitted to address the issue of whether competition among banks will be unreasonably affected by the proposed transaction. In analyzing the impact of the proposed merger on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by federal authorities. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index (HHI), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in the affected market into a single value. In this case, there will be a de minimis change in HHI for the geographical areas analyzed. In addition to that analysis, the Division considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. There is no city or town in which both banks maintain a banking office. Coastal Heritage indicated in the application that it intends to maintain Scituate Federal's five banking offices as branch offices after consummation of the merger. Therefore, the Division's analysis of the competitive impact of this transaction supports its approval.

The Division also considered whether public convenience and advantage will be promoted by the proposed merger. The application indicates that the continuing bank will be able to offer several products and services that have not previously been directly available to Scituate Federal customers, including no-fee student checking accounts and remote deposit capture. Additionally, customers of both banks will benefit from the larger lending limit available through the combined institution and through the expanded network of banking offices and ATMs. Finally, deposits held by Scituate Federal that exceed FDIC deposit insurance limits will receive excess deposit insurance coverage through the Share Insurance Fund of The Co-operative Central Bank.

In determining whether to approve a petition under the statutory criteria, the Commissioner must also consider a showing of net new benefits related to the transaction, including initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Commissioner may deem necessary. Capital investments are expected to be made for new bank signage, a systems conversion, and other improvements. Coastal Heritage expects to retain all employees and, as previously noted, expects to maintain all five banking offices of Scituate Federal as branch offices of the continuing bank. Coastal Heritage indicated that it anticipates continued growth, which will create additional job and career advancement opportunities in the future. As described above, customers of both banks will benefit from a broader array of products and services offered by the continuing bank than those previously offered by the two banks independently. Accordingly, the Division has reviewed factors related to public convenience and advantage, including net new benefits, and has determined that they are consistent with approval of Coastal Heritage's application.

Related to the issue of public convenience and advantage is the record of performance under the CRA by the banks that are parties to this transaction. Such review for state-chartered banks includes an evaluation by personnel of the Division as well as analysis of concerns received from the bank's community and its response to those concerns fairly raised. For other institutions, the Division looks to a publicly available descriptive rating and evaluation by the supervising federal or state regulatory agency. The Division notes that Coastal Heritage received a "Satisfactory" rating in its most

recent CRA performance evaluation by the Division and the FDIC as of July 25, 2011. The Division further notes that Scituate Federal received an "Outstanding" rating in its most recent CRA performance evaluation conducted by the Office of the Comptroller of the Currency and dated as of October 1, 2012. The Division's consideration of the CRA performance of Coastal Heritage and Scituate Federal also support the approval of the proposed merger.

The financial and managerial aspects of the proposed transaction are also considered by the Division. Financing will not be necessary because no consideration will be paid to consummate the proposed merger among mutual holding companies and their respective subsidiary banking institutions. Materials provided indicate that Coastal Heritage will continue to meet all regulatory capital requirements after the consummation of the proposed merger. The application also indicated that senior management will consist of executives from Coastal Heritage and Scituate Federal. After consummation of the proposed transaction, the Board of Directors of South Shore MHC and Coastal Heritage will each consist of eight individuals who are current directors of Coastal Heritage and eight individuals who are current directors of Scituate Federal. The Division's consideration of the financial and managerial aspects of the transaction also supports its approval.

Upon review of the application with reference to the relevant statutory and regulatory requirements, the Division finds that competition among banking institutions will not be unreasonably affected; that public convenience and advantage will be promoted by consummation of the proposed transaction; and that records of CRA performance by the banks involved in this transaction are consistent with its approval. On the basis of these considerations, approval is granted to merge Scituate Federal with and into Coastal Heritage under the charter and by-laws of Coastal Heritage pursuant to Massachusetts General Laws chapter 167I, section 3.

The approvals granted herein are subject to the following conditions:

1. That the proposed merger shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with Massachusetts General Laws chapter 167I, section 3 has been returned with my endorsement;
2. That the proposed merger shall not become effective until Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. That the proposed merger shall be consummated within one year of the date of this Decision.

November 16, 2015

Date

David J. Cotney

Commissioner of Banks