

PUBLIC DISCLOSURE

July 25, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

S-BANK

CERT #26575

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NOTE: 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 Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **S-Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$274 million, S-Bank's overall CRA performance is considered Satisfactory. An institution in this group has a reasonable record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The Bank's net loan-to-deposit ratio for the previous twenty quarters is more than reasonable given the Bank's size, financial condition, and the credit needs of its assessment area.
- Lending activity within the Bank's assessment area is reasonable as the majority of its loan originations are inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and business customers of different sizes.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area.
- No weight was given to the Bank's actions related to CRA complaints, as none have been received by the Bank since the prior examination.
- Fair lending policies and practices are considered satisfactory.

SCOPE OF THE EXAMINATION

Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's performance pursuant to the following criteria: loan-to-deposit ("LTD") ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and response to CRA complaints. The CRA evaluation, in general considered activity since the Bank's prior Division and FDIC CRA evaluations, which were conducted as of April 24, 2006. The applicable timeframes for the specific loan product line reviews are described in the paragraphs that follow.

S-Bank is primarily a residential lender based on discussions with management and a review of the Bank's balance sheet. This evaluation includes analyses of residential loan data for 2009, 2010, and the first three months of 2011. The residential loan data was obtained from the Bank's Loan Application Registers ("LAR"s) maintained and reported by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including re-financings, on one- to four-family and multifamily (five or more units) properties. Calendar year 2009 is the focus as this is the most recent year for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area. Information concerning small business lending was derived from a review of internal Bank loan reports and a sample of the Bank's small business loans. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the March 31, 2011 Report of Condition and Income (Call Reports).

PERFORMANCE CONTEXT

Description of Institution

S-Bank, formally known as South Shore Co-operative Bank, is a state-chartered mutually-owned bank established in 1891. The Bank is an independent, community bank headquartered at 195 Washington Street in Weymouth, Massachusetts.

In addition to its main office, the Bank has three additional full service branches. The branches are located at 6 Central Street in East Bridgewater, 30 Franklin Street in Quincy, and 1165 Washington Street in Hanover. The Hanover branch was opened on February 12, 2010, which was after the previous CRA evaluation. The Bank has not closed or relocated any branch locations since the previous CRA evaluation.

The Bank's office hours are reasonable and convenient and consistent with other institutions in the area. The branch lobbies are open 8:30AM to 4:30PM, Monday through Wednesday and Friday. All of the branches have extended hours on Thursday as well as Saturday morning hours and offer drive-up teller service. The drive-ups are open similar hours as the lobbies. The Quincy and Bridgewater branches also have extended hours on Friday nights. Additionally, the Quincy, Bridgewater, and Hanover offices offer night depository, and safe depository is offered at the Hanover branch. The Bank also maintains 24-hour ATMs at each office, and the Bank participates in the SUM network, an ATM surcharge-free alliance.

S-Bank maintains a website at www.s-bank.com. The Bank's website provides various personal and business product information as well as product rates. The Bank also offers retail and business online banking, allowing customers to view account balances and history, transfer funds between S-Bank accounts, pay bills, and schedule automatic recurring payments.

The Bank offers a full range of products and services that meet the financial needs of consumers and businesses. Consumer loan product offerings include auto, personal, and education loans as well as home equity loans and lines. The Bank's residential mortgage products include, fixed-rate mortgages, adjustable-rate mortgages, first time home buyer programs, construction loans, renovation financing, government insured mortgage loans, and loans for residential investment properties. Commercial loan product offerings include commercial mortgages, condominium conversions, construction loans, intermediate and short term loans, land purchases and land development loans, real estate and asset-based lines of credit, permanent financing, and multi-family rehabs.

As of March 31, 2011, the Bank's assets totaled \$215 million and total loans represented \$145 million or 67.4 percent of total assets. Since the prior examination, the Bank's asset size increased 13.9 percent while total loans decreased by 5.0 percent. Currently, 1-4 family residential real estate loans represent the largest portion of the Bank's loan portfolio at 59.7 percent. This represents a decline from the prior examination, when it stood at 70.4 percent. Commercial real estate combined with commercial and industrial loans account for the second largest portion of total loans at 30.8 percent, an increase from 26.0 percent of the prior examination. Table 1 displays the breakdown of the Bank's loan portfolio by loan type.

Table 1 Loan Distribution as of March 31, 2011		
Loan Type	Dollar Amount \$('000)	Percent of Total Loans
Loans Secured by Real Estate		
1-4 Family Residential		
1st Mortgage	79,502	54.8
2nd Mortgage	7,090	4.9
Revolving Lines of Credit	4,721	3.2
Non-Farm Real Estate (Commercial)	20,271	14.0
Construction	6,517	4.5
Multi-Family (5 or more) Residential	2,017	1.4
Total Real Estate Loans	120,218	82.8
Commercial Loans	24,291	16.8
Consumer Loans	609	0.4
Total Loans	145,018	100.0

Source: FFIEC Call Report March 31, 2011

S-Bank has direct competition from several institutions headquartered within the assessment area including Braintree Co-operative Bank, Weymouth Bank, and South Shore Savings Bank, as well as large national banking institutions and mortgage companies that have offices within the assessment area or mobile originators that work in the area.

The Bank was last examined for compliance for CRA by both the Division and the FDIC on April 24, 2006. Each of the examinations resulted in an overall CRA rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to help meet local credit needs remains strong.

Description of Assessment Areas

The CRA requires financial institutions define the assessment area(s) within which its CRA performance will be evaluated. S-Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since the area: (1) consists of one or more political subdivisions, (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

S-Bank has defined its assessment area to include seven towns located throughout Norfolk County and twenty towns throughout Plymouth County in Massachusetts. The cities and towns included are as follows:

- Norfolk County:** Braintree, Cohasset, Holbrook, Milton, Randolph, Weymouth, and Quincy.
- Plymouth County:** Abington, Bridgewater, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Plympton, Plymouth, Rockland, Scituate, West Bridgewater, and Whitman.

According to 2000 U.S. census data, the assessment area is composed of 106 census tracts, of which there are 1 low-, 4 moderate-, 68 middle-, and 32 upper-income census tracts. The remaining census tract is listed as NA for income level. This is located in Bridgewater and consists primarily of a prison.

Refer to Table 2 for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	106	0.9	3.8	64.2	30.2	0.9
Population by Geography	563,361	0.5	3.2	65.0	30.9	0.4
Owner-Occupied Housing by Geography	154,384	0.2	2.4	63.2	34.2	0.0
Family Distribution by Income Level	146,032	14.4	16.9	24.2	44.5	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	45,710	1.3	5.2	72.1	21.4	0.0
Median Family Income		\$71,709	Median Housing Value		\$203,542	
HUD Adjusted Median Family Income for 2011		\$87,600	Unemployment Rate		8.0%	
Households Below Poverty Level		5.7%				

Source: 2000 US Census, 2011 HUD adjusted Median Family Income

The assessment area has a total population of 563,361, residing in 146,032 family households. Of all family households in the area, 14.4 percent are low-income, 16.9 percent are moderate-income, 24.2 percent are middle-income, 44.5 percent are upper-income, and 3.3 percent are families below the poverty level, which are included in the low-income category.

The assessment area consists of 221,152 total housing units, of which 154,384 or 69.8 percent are owner-occupied, 56,333 or 25.5 percent are rental units, and 10,435 or 4.7 percent are vacant units. Of the 154,384 owner-occupied housing units, 369 or 0.2 percent are in the low-income census tract, 3,683 or 2.4 percent are in the moderate-income census tracts, 97,556 or 63.2 percent are in the middle-income census tracts, and 52,776 or 34.2 percent are in upper-income census tracts. The median housing value in 2000 for the assessment area was \$203,542.

Numerous businesses operate throughout the assessment area, with the highest concentration being in the middle-income census tracts. According to 2009 Business Geodemographic Data, the area has 47,811 non-farm businesses in operation, 77.5 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in services at 70.5 percent. In terms of employees, approximately 71.5 percent of the area's businesses employ four or fewer people.

The U.S. Bureau of Labor Statistics data show that Massachusetts had an unemployment rate of 8.8 percent in 2009 and 8.3 percent in 2010. In 2011, available data shows that the unemployment rate is slowly decreasing, but is still higher overall than in the previous few years. The data show that the Massachusetts unemployment rate was 8.0 percent in the first quarter of 2011 and 7.6 percent in second quarter.

Unemployment data available for metropolitan areas shows that the unemployment rates in the Boston-Cambridge-Quincy, MA-NH MSA are slightly below the statewide rates. The MSA unemployment rates in 2009 and 2010 were 7.6 percent and 7.7 percent, respectively. In 2011, available data shows that the unemployment rate for the Boston-Cambridge-Quincy, MA-NH MSA was 7.1 percent in the first quarter and 6.6 percent in the second quarter. (U.S. Bureau of Labor Statistics at www.bls.gov).

While the MSA unemployment figures suggest the local MSA area's economy is slightly stronger than that of other areas of Massachusetts, the decreasing unemployment rates at both the state and local level are an indicator of an economy starting to recover.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion determines the percentage of the Bank's deposit base is reinvested in the form of loans. An analysis was conducted of S-Bank's quarterly net LTD ratios for the last 20 quarters since the prior CRA evaluations. The quarters reviewed include those ending June 30, 2006 through March 31, 2011. The ratio is calculated based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period reviewed was 110.8 percent and is considered more than reasonable. However, the quarterly LTD ratio has been trending downward during this evaluation period. The Bank's current LTD ratio (as of March 31, 2011) is 77.7 percent, down from 114.6 percent as of June 30, 2006. The downward trend is partly attributed to the Bank's sale of loans to the Federal Home Loan Mortgage Corporation and an overall decrease in residential mortgage activity.

Table 3 illustrates the Bank's average LTD ratio compared to similarly situated institutions. The Bank's ratio is the highest of all five institutions.

Table 3 Loan-to-Deposit Ratios		
Institution	Averaged LTD Ratio	Assets as of 03/31/11 (\$000s)
S- Bank	110.8	214,726
Weymouth Bank	90.6	200,104
South Coastal Bank	103.9	263,650
Braintree Co-operative Bank	73.6	234,966
Pilgrim Bank	84.0	171,563

Source: Reports of Condition and Income

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion determines the percentage of the Bank's lending occurring within the assessment area and evaluates its appropriateness. Based on a review of the home mortgage and small business loan data, a majority of the Bank's lending activity by number and dollar volume occurred inside the assessment area.

The Bank originated a total of 140 HMDA-reportable loans, totaling \$37.7 million, during the time period under review. Of these loans, 102, or 72.9 percent of the number, and \$24.0 million, or 63.6 percent of the dollar volume, were originated inside the Bank's assessment area. In addition, the Bank originated a majority of its small business loans within the assessment area; 67.3 percent by number and 53.5 percent by dollar amount. Refer to the following Table 4 for details relative to the Bank's performance under this criterion.

Table 4 - Distribution of Loans Inside and Outside of Assessment Area

Loan Category or Type	Number Loans					Dollar Volume ('000s)					
	Inside		Outside		Total	Inside		Outside		Total	
	#	%	#	%		\$	%	\$	%		
Home Purchase	2009	14	60.9	9	39.1	23	3,229	52.3	2,951	47.7	6,180
	2010	2	66.7	1	33.3	3	230	48.5	244	51.5	474
	2011 (Q1)	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Refinance	2009	55	72.4	21	27.6	76	14,861	63.4	7,193	32.6	22,054
	2010	3	75.0	1	25.0	4	945	74.4	325	25.6	1,270
	2011 (Q1)	1	50.0	1	50.0	2	110	8.4	1,200	91.6	1,310
Home Improvement	2009	24	85.7	4	14.3	28	3,878	69.8	1,677	30.2	5,555
	2010	1	100.0	0	0.0	1	450	100.0	0	0.0	450
	2011 (Q1)	2	66.7	1	33.3	3	304	70.1	130	29.9	434
Total Home		102	72.9	38	27.1	140	24,007	63.6	13,720	36.4	37,727
Small Business	2009	19	61.3	12	38.7	31	3,703	42.4	5,037	57.6	8,740
	2010	11	73.3	4	26.7	15	1,876	82.3	404	17.7	2,280
	2011 (Q1)	5	83.3	1	16.7	6	735	93.6	50	6.4	785
Total Small Business		35	67.3	17	32.7	52	6,314	53.5	5,491	46.5	11,805
Grand Total		137	71.4	55	28.6	192	30,321	61.2	19,211	38.8	49,532

Source: HMDA LARs; Small Business Data provided by bank.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

The distribution of loans based on the borrower's income profile was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. Based on the review of the HMDA LARs and the small business loan data, the Bank has achieved a reasonable penetration of loans among borrowers of different income levels (including low- and moderate-income) and businesses of different revenue sizes.

Home Mortgage Loans

The following table presents the HMDA-reportable loans originated and categorized by the applicants' reported income in relation to the median family income for the MSA in which the property is located. The table also presents the 2009 aggregate data (exclusive of S-Bank) and the percentage of family households in each of the borrower income categories.

Table 5 - Distribution of HMDA Loans by Borrower Income

Median Family Income Level	% Families	Aggregate Lending Data (% of #) 2009	Bank 2009		Bank 2010		Bank 2011 (Q1)		Total	
			#	%	#	%	#	%	#	%
Low	14.4	4.0	5	5.4	1	16.7	0	0.0	6	5.9
Moderate	16.9	16.8	18	19.3	0	0.0	0	0.0	18	17.6
Middle	24.2	23.7	18	19.3	0	0.0	2	66.7	20	19.6
Upper	44.5	37.7	50	53.8	4	66.6	1	33.3	55	53.9
Income NA	0.0	17.8	2	2.2	1	16.7	0	0.0	3	2.9
Total	100.0	100.0	93	100.0	6	100.0	3	100.0	102	100.0

Source: 2009, 2010, & 2011 Q1 HMDA LAR; 2000 Census; and 2009 HMDA aggregate Data

As shown in Table 5, in 2009, the Bank's percentage of lending to low-income borrowers exceeds the aggregate lending data for the same group. Even though both were below the proportion of families within the low-income demographic, the performance is still favorable considering families living below the poverty level are in this category and housing costs in the assessment area are relatively high.

The Bank's 2009 activity for moderate-income borrowers exceeds both the aggregate lending data as well as the demographic proportion with 19.3 percent. The Bank's strong lending to low- and moderate-income borrowers in 2009 is due, in part, to the institution's mobile home lending program that provides housing opportunities for lower-income persons in the assessment area. It is noted, however, that in 2010, the Bank made only one loan to a low-income borrower and it did not make any loans to moderate-income borrowers. This is primarily due to the significant overall drop in residential lending from 2009 to 2010.

In both 2009 and 2010, upper-income borrowers accounted for the highest proportion of the Bank's residential lending. The strong penetration in this borrower income category is expected considering that 44.5 percent of the area's families are upper-income. In addition, the 2009 aggregate market performance was highest to upper-income borrowers at 37.7 percent. The Bank's middle-income borrowers accounted for the next largest share of loans with the Bank's 2009 performance being slightly below the percentage of families as well as the aggregate market performance.

Small Business Loans

The Bank has achieved an excellent penetration of small business loans among businesses of different sizes based on the area's demographics and a review of the distribution of loans by loan amount.

S-Bank has an excellent distribution of small business loans by gross annual revenue of the business. Of the 35 small business loans originated by the Bank within its assessment area, 97.1 percent were to businesses with gross annual revenues of \$1 million or less.

The Bank also had an excellent distribution of loans by loan size. As shown in Table 6 below, the Bank originated 35 small business loans inside the assessment area for the period under review. Of those, 54.3 percent were originated in amounts less than \$100,000. When the loan amount is used as a proxy for business size, the data indicates that the Bank is a valuable source of credit for the area's smaller businesses.

Refer to Table 6 for specific information concerning the small business loans by loan amount.

Table 6				
Distribution of Small Business Loans by Loan Amount				
Loan Amount	#	%	\$ (000's)	%
2009				
Less than \$100,000	12	63.1	509	13.8
From \$100,000 to \$250,000	3	15.8	599	16.1
Over \$250,000	4	21.1	2,595	70.1
2010				
Less than \$100,000	6	54.5	271	14.5
From \$100,000 to \$250,000	2	18.2	235	12.5
Over \$250,000	3	27.3	1,370	73.0
2011				
Less than \$100,000	1	20.0	50	6.8
From \$100,000 to \$250,000	4	80.0	685	93.2
Over \$250,000	0	0.0	0	0.0
Total				
Less than \$100,000	19	54.3	830	13.1
From \$100,000 to \$250,000	9	25.7	1,519	24.1
Over \$250,000	7	20.0	3,965	62.8
Total	35	100.0	6,314	100.0

Source: 2009, 2010, & 2011 (Q1) Small Business Data provided by bank

While the Bank's performance was strong in residential lending to low- and moderate-income borrowers in 2009 and in lending to small businesses, the significant decline in residential lending in 2010 and the resulting drop in lending to low- and moderate-income borrowers leads to the conclusion that the Bank's performance under this criterion is reasonable.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the geographic distribution of residential loans and a comparative analysis of 2009 HMDA aggregate data indicates that S-Bank's loans are reasonably dispersed throughout the assessment area.

Lending activity within the assessment area was reviewed in order to determine the distribution of lending among the various census tracts. The assessment area is composed of 106 census tracts. As mentioned previously under the "Description of the Assessment Area," there is one low-income census tract and four moderate-income census tracts.

Home Loans

The Bank did not originate any loans in the assessment area's one low-income census tract. This is not unreasonable, as the Bank's one low-income census tract is located in Quincy, which has the lowest percentage of owner-occupied housing units within the Bank's assessment area. The Bank's 2009 HMDA lending within the assessment area's moderate-income census tracts is higher than that reflected by the aggregate data, as well as the proportion of owner-occupied housing units in the area. The majority of the Bank's lending is within the middle-income census tracts.

Refer to Table 7 for specific information concerning the distribution of HMDA loans among the census tract income categories.

Table 7 Distribution of HMDA Loans by Census Tract Income Level										
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #) 2009	Bank 2009		Bank 2010		Bank 2011 (Q1)		Bank Total	
			#	%	#	%	#	%	#	%
Low	0.2	0.2	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2.4	1.8	4	4.3	0	0.0	0	0.0	4	3.9
Middle	63.2	58.3	58	62.4	5	83.3	3	100.0	66	64.7
Upper	29.2	39.7	31	33.3	1	16.7	0	0.0	32	31.4
Total	100.0	100.0	93	100.0	6	100.0	3	100.0	102	100.0

Source: CRA Wiz, Data Source 2000 U.S. Census

Small Business Loans

The Bank has achieved a reasonable dispersion of small business loans throughout the assessment area based on the area's business geodemographics and a review of the distribution of loans by census tract income category.

As depicted in Table 8, the Bank originated one loan (3.0 percent) in one of the assessment area's moderate-income census tracts. That percentage of lending is higher than the percentage of businesses operating within those moderate-income census tracts; however, the percentage is based on just one loan. Nonetheless, the geodemographic data indicate that there are limited opportunities for lenders to originate small business loans in the low- and moderate-income census tracts within the Bank's assessment area.

Table 8 Distribution of Small Business Loans by Census Tract Income Level									
Income Level	2009	Bank 2009		Bank 2010		Bank 2011		Total	
		% Businesses	# of Loans	%	# of Loans	%	# of Loans	%	# of Loans
Low	0.1	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4.3	0	0.0	1	9.0	0	0.0	1	3.0
Middle	57.5	9	47.4	5	45.5	3	60.0	17	48.5
Upper	38.1	10	52.6	5	45.5	2	40.0	17	48.5
Totals	100.0	19	100.0	11	100.0	5	100.0	35	100.0

Source: Dun & Bradstreet 2009 Business Geodemographic Data. 2009, 2010, & 2011 Q1 information provided by the Bank

5. RESPONSE TO SUBSTANTIATED COMPLAINTS

The Bank has not received any CRA-related complaints since the previous CRA evaluations.

APPENDIX
Fair Lending Policies and Procedures

S-Bank's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3 101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues. There were no discriminatory practices evident in the file review.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

S-Bank takes a pro-active approach to fair lending. The Bank has a fair lending audit performed by an outside agency during the examination period. Bank staff is routinely provided fair lending training commensurate with their job description. The Bank has a second review process for all denied loan applications.

MINORITY APPLICATION FLOW

S-Bank's LARs for 2009, 2010, and first quarter 2011 were reviewed to determine if the application flow from the different racial and ethnic groups within the assessment area was reflective of the area's demographics. According to the 2000 US Census, the Bank's assessment areas consist of a total of 106 census tracts.

The Bank's assessment area has a population of 563,361 persons. The total minority population is 10.0 percent with the largest minority groups being Asian at 3.8 percent and Black at 2.8 percent. The Hispanic population accounts for 1.4 percent of the total population within the Bank's assessment area.

For 2009 and 2010, and first quarter 2011, the Bank received a total of 113 HMDA-reportable loan applications from within the assessment area. Of these applications, 4 or 3.5 percent were received from minority applicants, of which 2 or 50 percent resulted in originations. For the same time period, the Bank did not receive any applications from ethnic groups of Hispanic origin.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2009. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Aggregate Data 2009		Bank 2009		Bank 2010	
	#	%	#	%	#	%
American Indian/ Alaska Native	55	0.1	0	0.0	0	0.0
Asian	1,841	3.6	2	1.9	0	0.0
Black/ African American	962	1.9	1	0.9	0	0.0
Hawaiian/Pac Isl.	69	0.1	0	0.0	0	0.0
2 or more Minority	29	0.1	0	0.0	0	0.0
Joint Race (White/Minority)	413	0.8	0	0.0	1	14.2
Total Minority	3,369	6.6	3	2.8	1	14.2
White	35,805	69.4	76	71.7	3	42.9
Race Not Available	12,380	24.0	27	25.5	3	42.9
Total	51,554	100.0	106	100.0	7	100.0
ETHNICITY						
Hispanic or Latino	423	0.8	0	0.0	0	0.0
Not Hispanic or Latino	38,249	74.2	77	72.7	4	57.1
Joint (Hisp/Lat /Not Hisp/Lat)	312	0.6	1	0.9	0	0.0
Ethnicity Not Available	12,570	24.4	28	26.4	3	42.9
Total	51,554	100.0	106	100.0	7	100.0

Source: 2009, 2010, & 2011 Q1 HMDA LARs

The Bank's performance was below the 2009 aggregate's performance level for minority applicants. The Bank received 2.8 percent of its applications from minorities while the aggregate was at 6.6 percent. The Bank's performance was lower than the 2009 aggregate's performance for ethnic minorities. The Bank received no applications while the aggregate received 1.8 percent from ethnic minorities.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 195 Washington Street, Weymouth, Ma 02188"

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.