

PUBLIC DISCLOSURE

April 17, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Anderson, N.A.
Charter #23656
201 East Greenville Street
Anderson, South Carolina 29621**

**Office of the Comptroller of the Currency
Southeastern District
Carolinas Field Office, Suite 1154
6100 Fairview Road
Charlotte, North Carolina 28210**

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Bank of Anderson, N.A.** prepared by **The Office of the Comptroller of the Currency**, as of April 17, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- C The institution exhibits a reasonable average loan-to-deposit ratio.
- C The institution's record of lending to borrowers within its assessment area is satisfactory.
- C The distribution of loans by income and geography reflects adequate penetration.
- C No CRA related complaints have been received.
- C No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

DESCRIPTION OF INSTITUTION

Bank of Anderson is a one branch institution located in Anderson, South Carolina. The bank opened for business on September 8, 1998 and this is the first evaluation of CRA performance. The bank's office is located within a middle-income census tract. Bank of Anderson is a subsidiary of Peoples Bancorporation, Inc., Easley S.C., a three bank holding company with total assets of \$213 million as of December 31, 1999.

As of December 31, 1999 the bank's total assets were \$42 million, with total deposits of \$35 million. Since the bank's opening in September 1998 net loans originated in the amount of \$25.6 million represents 61% of total assets, and are originated primarily for commercial and 1-4 family residential real estate lending purposes. The loan portfolio is comprised primarily of:

<u>Dollar Amount</u>	<u>Portfolio %</u>	<u>Loan Type</u>
21,612M	81%	Secured by real estate, construction, and home equity
3,227M	14%	Commercial and industrial loans
1,147M	5%	Consumer loans

There are no financial or legal impediments restricting the lending activities of the bank.

DESCRIPTION OF ASSESSMENT AREA

Bank of Anderson has defined its assessment area as Anderson County, South Carolina. The assessment area contains 34 adjacent census tracts. The county is located within the Greenville/Spartanburg Metropolitan Statistical Area (MSA #3160). Lending to borrowers of different incomes was evaluated on the basis of the 1999 statewide updated MSA median family income of \$47,200. The bank's assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low or moderate income areas.

Based on 1990 census figures, the census tracts breakdown is as follows:

	<u>Income</u>		<u>Families</u>	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Low	0	0%	0	0%
Moderate	6	18%	7,089	17%
Middle	23	68%	28,258	68%
Upper	4	12%	6,423	15%
Undesignated	1	2%		

The population of Anderson County is estimated at 189,000 as of January 1, 2000, with a labor force 85,000. Between 1992 and 1997, over 4,600 building permits were issued for new single-family houses, an average of 768 per year. The value of these permits totaled \$415.7 million dollars. The county added 594 new multi-family units between 1992-1997. Approximately 67% of available housing units are owner-occupied.

Manufacturing is stable, and the retail and service industries show workforce gains. Large increases in the labor force are seen in retail, health care, and school systems. Manufacturing continues to be the largest industry in the area with 19,000 estimated employees. Unemployment averages between 2.5% and 3.5%.

Anderson County and the surrounding region host over 130 worldwide, corporate, regional and divisional headquarters facilities. The county occupies 37 miles along Interstate 85, the most frontage in the upstate of South Carolina. This attractive transportation location has attracted international and domestic firms to locate to this area. The county has realized over \$1.4 billion in announced capital investment from 1992-1997 from a diverse group of major companies.

Competition in the institution's assessment area is extensive and includes several regional and community banks, credit unions, and finance companies. The bank's main competitors in the assessment area are the local community banks. The larger regional institutions also compete for deposit and loan customers in the bank's service area.

Two community contacts were made in conjunction with this examination. The individuals represented local business development entities. These contacts indicated a need within the community for small business lending to meet the continued growth of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

C The bank's average loan-to-deposit ratio is reasonable.

The average loan-to-deposit (LTD) ratio since the bank opened in 1998 is 61% and meets the standards for satisfactory performance. This is calculated on a quarterly average. The bank's loan to deposit ratio was 75% as of March 31, 2000 but at a low of 39% on September 30, 1998 three weeks after the bank opened. The average for peer banks was 77% for the same period. Banks with average assets under \$250 million are considered peer banks for comparative purposes.

Lending in the Assessment Area

C A majority of the bank's lending is within its defined assessment area.

Residential Real Estate

We performed a review of the bank's lending patterns using a sample of 20 home mortgage and improvement loans since the bank opened in September 1998. These are the institution's primary loan products. Our review of these indicated 95% of the number of loans, and 98% of total loan dollars are originated to borrowers within the assessment area.

Commercial Lending

A majority of the bank's commercial lending is extended within its assessment area based on a sample of twenty business loans originated since the bank's opening in September 1998. Our findings indicated 90% of the number of loans, and 82% of the dollar amount of loans, were originated to businesses located within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

C Lending to borrowers of various income levels and business revenue sizes was reasonable and showed good penetration. Samples of the bank's primary loan products, home purchase/improvement and commercial loans to small businesses, were reviewed to form our conclusions.

Home Purchase and Improvement Loans

To assess lending to borrowers of different incomes, a sample of 20 consumer mortgage and home improvement loans, totaling \$1,752M, originated since September 1998 was reviewed. A summary of findings is provided in the following chart:

<i>Family Income Levels</i>	<i>Assessment Area Composition</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>number</i>	<i>percentage</i>	<i>Amount(\$000)</i>	<i>Percentage</i>
<i>Low</i>	<i>20%</i>	<i>3</i>	<i>15%</i>	<i>151</i>	<i>9%</i>
<i>Moderate</i>	<i>19%</i>	<i>4</i>	<i>20%</i>	<i>336</i>	<i>19%</i>
<i>Middle</i>	<i>25%</i>	<i>5</i>	<i>25%</i>	<i>674</i>	<i>39%</i>
<i>Upper</i>	<i>36%</i>	<i>8</i>	<i>40%</i>	<i>571</i>	<i>33%</i>

This loan distribution is reasonable compared to the composition of the assessment area. The bank's main office is located in a middle income census tract.

Business Lending

C Lending to businesses of various sizes was found to be reasonable.

To evaluate the bank's distribution of lending to various businesses in its assessment area, we reviewed a random sample of commercial loans originated since the bank opened for business. A sample of 20 commercial loans totaling \$3.7 million were reviewed. The entire sample consisted of loans in amounts from \$6,000 to \$650,000 made to businesses of different sizes for various purposes. The majority of the bank's commercial loans are to small businesses with less than \$1 million in revenues. Based on the sample reviewed, it was determined that 80% of the number and 87% of the dollar amount of loans originated were to small businesses with annual revenues less than \$1 million. Demographic data shows that the bank's assessment area has 3,659 businesses with annual revenues of less than \$1 million. This represents 72% of all businesses in the assessment area. The bank's level of lending to small businesses is helping to meet local credit needs identified by community contacts made during this evaluation.

Geographic Distribution of Loans

C Distribution of credit throughout the various census tracts within the bank's assessment area was found to be reasonable

Home Mortgage Lending

The geographic distribution of mortgage loans within the bank's assessment area reflects reasonable penetration. We based our findings on a sample of 20 mortgage and home improvement loans originated in the assessment area since September 1998 totaling \$1,732M. The results of this sample are illustrated in the following table:

<i>Census Tract Income Levels</i>	<i>% Owner Occupied Units</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>Number</i>	<i>percentage</i>	<i>amount(\$000)</i>	<i>Percentage</i>
<i>Low</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Moderate</i>	<i>15%</i>	<i>1</i>	<i>5%</i>	<i>55</i>	<i>3%</i>
<i>Middle</i>	<i>69%</i>	<i>14</i>	<i>70%</i>	<i>1,434</i>	<i>82%</i>
<i>Upper</i>	<i>16%</i>	<i>5</i>	<i>25%</i>	<i>243</i>	<i>14%</i>

Our loan sample identified few loans originated in moderate-income census tracts. There is very little

development or real estate sales/purchases in these areas according to bank management. These communities are located around closed manufacturing facilities. Vacant units average 9%, rental units average 38% and owner occupied units represent 53% of all available housing in these census tracts. Secondly, the development of residential and commercial real estate is occurring in the middle and upper income tract areas outside of the downtown area. Housing units in moderate-income census tracts represent only 20% of all housing within the bank's assessment area. Declined loan files were reviewed and it was determined that no home purchase or improvement applications were received from moderate-income areas. These explanations are reasonable.

Small Business Loan Originations

Distribution of small business credits within the bank's assessment area is satisfactory. To assess bank's geographic distribution of commercial lending within its assessment area, we reviewed a random sample of 20 small business loans originated since the bank opened for business. These loans totaled \$3,029M. There are no low-income tracts within the assessment area. The following table demonstrates the bank's satisfactory penetration throughout their assessment area.

<i>Census Tract Income Levels</i>	<i>Small Business Location in Assessment Area</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>Number</i>	<i>Percentage</i>	<i>amount(\$000)</i>	<i>Percentage</i>
<i>Low</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Moderate</i>	<i>21%</i>	<i>4</i>	<i>20%</i>	<i>971</i>	<i>17%</i>
<i>Middle</i>	<i>64%</i>	<i>15</i>	<i>75%</i>	<i>2,065</i>	<i>56%</i>
<i>Upper</i>	<i>15%</i>	<i>1</i>	<i>5%</i>	<i>650</i>	<i>18%</i>

Review of Complaints

The bank has received no CRA complaints.

Other

Our fair lending review disclosed no violations of the substantive provisions of anti-discrimination laws and regulations. During our examination, we reviewed the bank's lending policies and selected a sample of residential real estate loans to identify instances of illegal limitations. Our review disclosed no evidence of any prohibited lending practices.