



## **PUBLIC DISCLOSURE**

February 10, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Kingstree FS & LA  
Charter Number 703534

101 E. Mill Street  
Kingstree, SC 29556-3427

Office of the Comptroller of the Currency

212 South Tryon Street  
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 given the institution's size, financial condition, and assessment area credit needs;
- A majority of the bank's loans are made within its assessment area (AA);
- The distribution of loans to borrowers of different income levels reflects reasonable penetration;
- The geographic distribution of loans reflects reasonable dispersion throughout the AA; and
- No complaints were received during the evaluation period.

**SCOPE OF EXAMINATION**

We performed a full-scope evaluation of Kingstree Federal Savings & Loan Association's (Kingstree Federal) performance using small bank Community Reinvestment Act examination procedures. Based upon the bank's business strategy and the loans originated during the evaluation period, we determined that home purchase loans are the bank's primary loan product. Kingstree Federal is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). Therefore, we reviewed all thirty of the home purchase loans that were originated during the evaluation period to determine the bank's lending performance.

The evaluation period for home purchase loans is January 1, 2012 through December 31, 2013. The evaluation period for the loan-to-deposit ratio is March 1, 2008 through September 30, 2013.

**DESCRIPTION OF INSTITUTION**

Kingstree Federal is a federally chartered, stock savings association headquartered in Kingstree, South Carolina (SC) that operates one banking office. The bank is a wholly owned subsidiary of Kingstree Bancshares, Mutual Holding Company headquartered in Kingstree, SC. The main office is located in a middle-income census tract of Williamsburg County.

Kingstree Federal has approximately \$32.5 million in total assets as of December 31, 2013. The bank's tier-one and risk-based capital totaled \$4.8 million and \$5.0 million, respectively. As a traditional thrift, the bank has concentrated its operations on the origination of residential mortgage loans and the acceptance of deposits. As of

December 31, 2013, 56.98 percent of the Kingstree Federal's total assets consisted of mortgage loans secured by permanent mortgages on single-family residences and multi-family dwellings. Investments represented 33.49 percent of total assets.

Kingstree Federal offers conventional residential mortgage loans for the purchase, refinance, and construction of single-family homes. Home equity lines of credit and loans for personal consumer purposes are also available. In addition, Kingstree Federal offers a limited number of non-residential mortgage loans. The bank retains all loans originated in its portfolio. The bank does not currently offer checking accounts to its customers, only savings products are available. The table below reflects the major components of Kingstree Federal's balance sheet as of December 31, 2013.

<b>Table 1 - Major Components of Assets, Liabilities and Capital</b>			
<b>As of 12/31/2013</b>			
<b>Balance Sheet Component</b>	<b>Balance Sheet \$ Amount</b>	<b>% of Total Assets</b>	<b>\$ or % Growth in Period</b>
<b>Loans</b>			
Commercial Loans	\$815	2.50%	+\$218
1-4 Family Residential Secured by 1st liens	\$14,254	43.79%	-\$505
1-4 Family Residential Secured by junior liens	\$15	0.05%	+\$15
1-4 Family Residential, open-end	\$2,179	6.69%	+\$1,790
Multifamily (5 or more) Residential	\$2,097	6.44%	+\$2,097
Consumer Loans	\$197	0.60%	-\$355
<b>Investments</b>			
US Treasury & Agency Securities	\$3,367	10.34%	+\$1,968
Municipal Securities	\$2,823	8.67%	+\$2,823
Interest-Bearing Bank Balances	\$4,296	13.20%	+3,232
Federal Funds Sold & Resales	\$413	1.27%	+\$413
<b>Total Assets</b>	<b>\$32,545</b>		<b>\$9,786</b>
<b>Liabilities &amp; Capital (LC)</b>		<b>% of Total LC</b>	
Total Deposits	27,586	84.76%	+\$9,830
Acceptances & Other Liabilities	104	0.32%	+55
<b>Total Liabilities</b>	<b>27,690</b>		<b>+\$9,747</b>
All Common & Preferred Capital	4,855	14.92%	+39
<b>Total Capital</b>	<b>4,855</b>		<b>+39</b>

Kingstree Federal faces strong competition from other financial institutions in the AA. According to retail deposit data as of June 30, 2013, from the Federal Deposit Insurance Corporation (FDIC), Kingstree Federal's retail deposits totaled approximately \$29 million and represented 9.92% (4<sup>th</sup> out of 5) of the total market share of deposits in Williamsburg County. According to June 2013 FDIC's deposit market information, there were four other federally insured depository institutions operating 10 branch offices in Williamsburg County. First Citizens Bank and Trust Company, Inc. and Anderson Brothers Bank have approximately 67 percent of the deposit market share in Williamsburg County.

There were no legal or regulatory impediments that adversely affected Kingstree Federal’s ability to meet community credit needs during the current evaluation period. The bank’s rating at the preceding CRA evaluation, dated August 25, 2008, was “Satisfactory.”

**DESCRIPTION OF ASSESSMENT AREA(S)**

Kingstree Federal’s AA has defined Williamsburg County, SC as the bank’s AA, which is not apart of Metropolitan Statistical Area (Non-MSA). Based on the 2010 U.S. Census data, the total population of the AA is 34,423. Williamsburg County consists of a total of 11 census tracts, one low-income census tracts, five moderate-income census tracts, four middle-income census tracts, and one census tract classified as other. There are no upper-income census tracts in the AA. Kingstree Federal’s AA meets the technical requirements of the CRA and does not arbitrarily exclude low-income or moderate-income census tracts.

Some of the largest employers in Williamsburg County are Williamsburg County Memorial Hospital, Williamsburg County School District, Tupperware US, Inc., Farmers Telephone Cooperative Inc., and Lane Manufacturing LLC. As of December 2013, the unemployment rate in Williamsburg County was 9.2 percent, which significantly exceeds the unemployment rate for the state of South Carolina of 6.3 percent.

According to information obtained from a community contact, there is a need for low-income housing development in Williamsburg County.

The following table highlights certain demographic characteristics in Williamsburg County:

Table 2 - Demographic Information for the Williamsburg County AA <sup>1</sup>						
	#	% Low	% Moderate	% Middle	% Upper	NA
Geographies (Census Tracts)	11	9.09%	45.45%	36.36%	0.00%	9.09%
Population by Geography	34,423	11.03%	51.70%	33.89%	0.00%	3.38%
Owner-Occupied Housing by Geography	7,229	8.42%	51.51%	40.06%	0.00%	0.00%
Family Distribution by Income Level	7,519	10.69%	51.48%	37.82%	0.00%	0.00%
Census Median Family Income (MFI)		\$46,847	Median Housing Value			\$68,575
HUD-Adjusted MFI: 2012		\$48,300	Families Below the Poverty Level			26.45%
HUD- Adjusted MFI: 2013		\$47,500	Unemployment Rate			9.20%

<sup>1</sup> Source: 2010 U.S. Census Data

## 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

Kingstree Federal's average LTD ratio is reasonable considering the bank's size, financial condition, and the AA's credit needs. Since the last CRA examination in August 2008, the bank's quarterly average LTD ratio for the 23 quarters is 79.42 percent. In comparison, the quarterly average LTD ratio among banks of similar size in North and South Carolina is 84.20 percent. During the 23-quarter period, the bank's LTD ratio ranged from a high of 100 percent to a low of 66 percent. The peer average LTD ratios ranged from a high of 103 percent to a low of 65 percent.

### Lending in Assessment Area

A majority of the bank's home purchase loans were originated in the bank's AA. During the evaluation period, 71 percent of the number and 72 percent of the dollar amounts of home purchase loans were originated within the bank's AA. Table 3 details the number and dollar amount of home purchase loans originated within the AA.

Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	22	70.97%	9	29.03%	31	\$2,225	72.10%	\$861	27.90%	\$3,086

### Lending to Borrowers of Different Incomes

Kingstree Federal's distribution home purchase loans to borrowers of different income levels reflect reasonable penetration. We sampled thirty home purchase loans originated during 2012 and 2013 within the AA to determine the bank's distribution of lending to borrowers of different incomes.

The percentage of loans to low-income borrowers reflects poor penetration compared to the percentage of low-income families in the AA. The bank's inability to originate loans to low-income borrowers is limited due to the high family poverty levels and high unemployment rate in the AA. According to the 2010 U.S. Census, approximately 26.45 percent of the families residing within the AA have incomes below the poverty level. As shown in table 4, Kingstree Federal's percentage of loans to low-income borrowers was almost equal to the lending activity of other federally regulated financial institutions

<sup>2</sup> Source: Kingstree Federal Home Purchase Loan File Review

reporting HMDA data in the AA, based on aggregate HMDA data for 2012. Aggregate data is not yet available for 2013.

<b>Table 4 - Distribution of Home Purchase Loans</b>				
<b>By Borrower Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b>% of Loans<sup>2</sup></b>	<b>% of \$ Volume<sup>2</sup></b>	<b>% Family Distribution<sup>1</sup></b>	<b>% of Aggregate (or Peers)<sup>1</sup></b>
Low	9.09%	3.37%	38.50%	9.00%
Moderate	9.09%	4.17%	14.35%	18.01%
Middle	27.27%	26.24%	19.90%	26.07%
Upper	54.55%	66.22%	27.25%	46.92%
<b>Total # or \$</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The percentage of loans to moderate-income borrowers reflects reasonable penetration compared to the number of moderate-income families in the AA. However, the percentage of lending to moderate-income borrowers was below performance of other federally regulated financial institutions' lending activity in the AA.

### Geographic Distribution of Loans

The geographic distribution of home purchase loans reflects reasonable dispersion among moderate-income geography. The bank's penetration of moderate-income census tracts was commensurate with area demographic characteristics and the lending activity of other lenders in the AA. Table 5 below reflects the bank's geographic distribution of home purchase loans compared to the percentage of owner occupied housing units (OOHU) located in each census tract and the lending activity of other federally regulated financial institutions reporting HMDA data in the AA.

<b>Table 5 - Distribution of Home Purchase Loans</b>				
<b>By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b>% of Loans<sup>2</sup></b>	<b>% of \$ Volume<sup>2</sup></b>	<b>% Owner Occupied<sup>1</sup></b>	<b>% of Aggregate (or Peers)<sup>1</sup></b>
Low	0.00%	0.00%	8.42%	8.97%
Moderate	45.45%	67.62%	51.51%	39.91%
Middle	54.55%	32.38%	40.06%	51.12%
Upper	0.00%	0.00%	0.00%	0.00%
<b>Total # or \$</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

While the bank's lending in moderate-income census tracts was slightly below the percentage of OOHU in the AA, it exceeded the percentage of lending by other lenders based on aggregate HMDA data for 2012. As a result of the 2010 U.S. Census, Kingstree Federal now has one low-income census tracts in its AA. There was no lending activity in this tract during the evaluation period. While the bank originated no loans in low-income census tracts during 2012 and 2013, the bank's distribution of loans in moderate-income census tracts exceeded the percentage of lending by other federally regulated financial institutions.

### **Responses to Complaints**

During the evaluation period, the bank did not receive any 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.