



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 25, 2011**

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

Seneca National Bank  
Charter Number 23799

201 Bypass 123  
Seneca, SC 29678-0000

Office of the Comptroller of the Currency

ADC-CHARLOTTE (8116) Field Office  
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 lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a substantial majority of its loans within the defined assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and to businesses of different sizes.
- There have been no complaints with respect to the bank's CRA performance.

**SCOPE OF EXAMINATION**

Seneca National Bank (SNB) was evaluated under the Small Bank examination procedures, which includes the lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities.

The lending test for SNB covers its performance from January 1, 2009 through March 31, 2011, as this is representative of the bank's lending strategy since the last CRA examination.

SNB's primary loan products are home equity lines of credit (HELOCs) and commercial loans. The bank does not report loans for purposes of the Home Mortgage Disclosure Act (HMDA) because it is not located in a Metropolitan Statistical Area (MSA). To evaluate the bank's lending performance, we selected a sample of HELOCs and business loans originated between January 1, 2009 and March 31, 2011.

**DESCRIPTION OF INSTITUTION**

SNB is an intrastate banking institution headquartered in Seneca, South Carolina. SNB is wholly-owned by People's Bancorporation, Inc., a three bank holding company headquartered in Easley, South Carolina. The bank opened on February 5, 1999 and is located in an upper-income census tract. During this evaluation period, SNB has not been involved in any merger or acquisition activity.

Some of the major services which the bank provides include checking accounts; NOW accounts, money market accounts, savings accounts, and other various types of time deposits; daily repurchase agreements; loans for businesses, agriculture, real estate, personal use, home improvement, and automobiles; residential loan origination; credit cards; letters of credit; home equity lines of credit; safe deposit boxes; wire transfer services; internet banking; and the use of ATM machines. The bank does not have trust powers. Additional information about branch locations, products, services, and a schedule of fees is available at the bank's website: <https://www.senecanb.com>.

As of March 31, 2011, assets totaled \$76 million. Loans represented the largest portion of assets at 56 percent and consisted of 38 percent commercial real estate, 32 percent consumer loans, 17 percent residential real estate, 3 percent construction and development, and 11 percent commercial and industrial. SNB offers a variety of lending programs with a primary focus on commercial and residential real estate lending.

There are no financial circumstances or legal impediments, other than the legal lending limit, which would adversely impact the bank's ability to meet the credit needs of its AA. SNB's rating at the preceding CRA examination, dated March 28, 2005, was "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA**

SNB has only one AA, which includes 12 census tracts within Oconee County. The census tracts within the AA are contiguous and do not arbitrarily exclude any low- or moderate-income geographies. The single branch is located in Seneca, which is inside the aforementioned AA.

### **Oconee County AA**

Oconee County is located in the northwestern tip of South Carolina, which meets both North Carolina and Georgia. The county is on the northern side of U.S. Interstate 85 in South Carolina. Oconee County is not located within a MSA, but rather is made up of 12 adjacent census tracts within Oconee County. The Census Bureau estimates the population of Oconee County to be 74,273, based on 2010 Census data. Approximately 16.52 percent of families within the AA reside in a moderate-income census tract. There are no low-income census tracts within the AA.

The major industries in Oconee County include education, energy production, health care, and industrial machinery. The five largest employers in the county are the School District of Oconee County, Duke Energy Corporation, Oconee Memorial Hospital, Itron, Inc., and Schneider Electric. According to the U.S. Bureau of Labor Statistics as of May 2011, the unemployment rate for Oconee County was 10.3 percent. Refer to the table below for demographic and economic characteristics.

<b>Demographic and Economic Characteristics of Oconee County</b>	
<b>Population</b>	
Total Population	66,215
Number of Families	19,687
Number of Households	27,318
% Owner-Occupied	66.02%
% Occupied Rentals	18.23%
% Vacant	15.75%
<b>Geographies</b>	
Number of Census Tracts	12
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	75.00%
% Upper-Income Census Tracts	25.00%
<b>Median Family Income (MFI)</b>	
2010 MFI for Assessment Area	\$38,927
2010 HUD Adjusted MFI for MSA	\$49,100
<b>Economic Indicators</b>	
Unemployment Rate	10.3%
2010 Median Housing Value	\$86,161
% of Households Below Poverty Level	11.96%

*Source: 2010 Census Data; U.S. Department of Labor*

Competition in the Oconee County AA is strong and includes numerous financial services options. As of June 30, 2010, the Federal Deposit Insurance Corporation reported 14 financial institutions, with 28 offices, operating within the AA. SNB ranks sixth in deposit market share with 5.74 percent of the AAs \$1.2 billion in deposits. Competition within the AA includes offices/branches of large, regional, and local community banks.

During this evaluation, we made a community contact to discuss the credit needs of the AA. The community contact stated that there is a need for funding to businesses for projects and lines of credit.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's overall lending performance is "Satisfactory." We assessed SNB's performance by focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and, responses to CRA related complaints. Because SNB's AA does not include any low- or moderate-income census tracts, a geographic distribution of the bank's loans within the AA would not be meaningful and was not performed.

To evaluate SNB's lending performance, a random sample of 49 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 31 HELOCs and 18 commercial loans since January 1, 2009. The demand for commercial and consumer lending has declined. Based on the analysis and consistent with available resources and capabilities, SNB is meeting the credit needs of the AA in a satisfactory manner.

### Loan-to-Deposit Ratio

SNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's quarterly average LTD ratio since the last CRA examination in June 2006 is 73.79 percent. This percentage is reasonable considering the bank's asset size, financial condition, and lending opportunities in the AAs. Although SNB's LTD ratios have fluctuated over the last five years, the decline in the last 3 years is due to external economic factors. Given the high level of banking competition in the upstate area, combined with the weak economy, loan demand has decreased while deposits have increased. The average LTD for the state of South Carolina as of June 30, 2009 was 91 percent. SNB's at that same period was 74.23 percent.

### Lending in Assessment Area

A substantial majority of loans were made within the bank's AA, which meets the standard for outstanding performance. Performance in each category reviewed is detailed in the following table:

<b>Lending in Oconee County AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Equity										
Lines of Credit	31	88.57	4	11.43	35	4,418	84.18	830	15.82	5,248
Small Business	18	90.00	2	10.00	20	2,224	88.37	293	11.63	2,517
Totals	49	89.09	6	10.91	55	6,642	85.54	1,123	14.46	7,765

*Source: Loan Sample*

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

SNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

#### Consumer Loans

SNB's distribution of HELOCs by income level is poor. The number of HELOCs extended to low- and moderate-income borrowers does not exceed the percentage of low- and moderate-income households represented in the AA. In our analysis, we considered the downturn in the housing market and the lack of affordability for a low- or moderate-income family to acquire a HELOC. Approximately 20 percent of the

households in the AA are below the poverty level and are considered very low-income.

<b>Borrower Distribution of Consumer Loans in Oconee County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Home Equity Lines of Credit	20.10%	0.00%	14.35%	0.00%	19.47%	41.94%	46.09%	58.06%

Source: Loan Sample; 2000 U.S. Census data

### Business Loans

The distribution of loans to businesses of different sizes reflects excellent penetration. Approximately 90 percent of the bank’s sampled loans to businesses during the evaluation period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered excellent compared to demographic data that show 83 percent of the area’s businesses are considered small businesses.

The following tables show the distribution of commercial loans among different sized businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in Oconee County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	82.55%	3.20%	14.25%	100%
% of Bank Loans in AA by #	88.89%	11.11%	0.00%	100%
% of Bank Loans in AA by \$	52.75%	47.25%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

<b>Borrower Distribution of Loans to Businesses by Loan Size in Oconee County AA</b>				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	10	56%	\$697,045	31%
\$100,001 - \$250,000	6	33%	\$907,000	41%
\$250,001 - \$500,000	2	11%	\$620,000	28%
\$500,001 - \$1,000,000	0	0%	\$0	0%
Over \$1,000,000	0	0%	\$0	0%

Source: Loan sample

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful since there are no low- to moderate-income census tracts in the AA.

### **Responses to Complaints**

SNB has not received any CRA-related complaints during the evaluation period.

### **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.