



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 28, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Anderson, National Association
Charter Number 23656**

**201 East Greenville Street
Anderson, SC 29621**

**Comptroller of the Currency
Carolinas (Charlotte)
6100 Fairview Road Suite 1154
Charlotte, NC 28210**

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 bank's average loan-to-deposit ratio is reasonable.
- A majority of the bank's lending is within its defined assessment area.
- Lending to borrowers of various income levels was reasonable and showed good penetration.
- Lending to businesses of various sizes was found to be reasonable.
- Distribution of credit throughout the various census tracts within the bank's assessment area was found to be reasonable.
- No CRA complaints have been received.
- Our review did not disclose any violations of the anti-discrimination laws or regulations, or prohibited lending practices.

DESCRIPTION OF INSTITUTION

Bank of Anderson received its national bank charter on September 3, 1998, and opened for business on September 8, 1998. The bank was established as a single office community bank to serve the financial needs of the growing population of Anderson County, SC. A second full-service branch location was added in 2004. The bank is a wholly owned subsidiary of Peoples BanCorporation, Easley, SC, a publicly traded three-bank holding company.

As of December 31, 2004, the bank's total assets were \$141.7 million with total deposits of \$111.4 million and gross loans outstanding of \$110.3 million. As of year-end 2004, 54.7% of outstanding loans had been originated primarily for the purposes of constructing, developing or financing the purchase or improvement of 1-4 family residential real estate properties. The loan portfolio comprises the following product groups:

<u>Dollar Amount</u>	<u>Portfolio %</u>	<u>Loan Type</u>
\$ 60,486M	55%	Consumer real estate, construction and home equity loans
47,389M	35%	Commercial and industrial loans
2,471M	10%	Consumer non-real estate 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 county encompasses 718 square miles and contains 34 contiguous census tracts. Anderson County is located within the larger Spartanburg-Greenville-Anderson Metropolitan Statistical Area (MSA #3160 in 2003, changed to #11340 in 2004). The assessment area is located in the northwestern tip of South Carolina and has become a popular retirement area due to the number of lakes and rolling topography. While the population is substantially represented by white middle to upper income individuals, 2000 census data indicated that black, asian, hispanic and other minorities, represented 19% of the assessment area population.

While the MSA as a whole has felt significant unemployment effects of the textile industry

collapse, the effect on Anderson County has been less severe due to the robust industrial economy of Greenville and growing industrial diversification in Anderson County.

Lending to borrowers of different incomes was evaluated on the basis of the Weighted Average of Census MSA Median Family Income of \$46,365 for 2003 and \$44,322 for 2004. 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 2000 census data, the assessment area had a total population of 165,740. The following is a summary of census tract demographics for the area:

Census Tract Distribution by Income	Population Demographics		# of Housing Units
	2003	2004	
Low	1	0	White 81%
Moderate	6	6	Black 16%
Middle	23	23	Other 3%
Upper	3	4	Owner Occup. 50,068
Unknown	<u>1</u>	<u>1</u>	Rental <u>15,581</u>
Total	34	34	Occupied 65,649
			Vacant <u>7,564</u>
			Total 73,213

While historically textile dependent and containing substantial rural tracts, the economy of Anderson County remains viable with non-textile sources and the nearby Greenville, SC employment hub providing a low unemployment rate. Some recent increases in unemployment have occurred due to textile industry closings in the county. However, many affected individuals have been absorbed into other local jobs. Major employers in the county include: AnMed Health, state and local government and schools, and industrial entities such as Bosch Corporation, Electrolux and BASF.

Regional and community banks, credit unions, finance companies, and independent mortgage brokers provide competition for small business and single family housing lending in the assessment area. No single financial institution dominates the 1-4 family real estate lending market.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- The bank's average loan-to-deposit ratio is reasonable. For the three-year period for the quarters ending March 31, 2002 through December 31, 2004, the bank's average loan to deposit ratio was 77.7%. Peer bank comparisons indicated a slightly higher average ratio at 79.9%. Bank of Anderson trailed its peers until late 2003. At that point, loan demand outpaced deposit growth resulting in a 2004 average loan to deposit ratio of 90.8% for the bank compared with 83.1% for the peer group.

Lending in Assessment Area

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

Residential Real Estate

We performed a review of residential real estate lending data for the years 2003 and 2004 based on statistical reporting as required by the Home Mortgage Disclosure Act (HMDA). Types of loans reported included those for home purchase, refinancing, home improvement and multi-family purposes. The following is a summary of our review:

Year	Inside Assessment Area		Outside Assessment Area		Percent Inside Area	
	Loans #	(000's) \$	Loans #	(000's) \$	# Loans %	\$ (000's) %
2003	75	7,121	5	606	94%	92%
2004	69	8,100	10	1,633	87%	83%
Total	144	15,221	15	2,239	90%	87%

Commercial Lending

We reviewed samples of small business lending activities for the years 2003 and 2004. For the year 2003 there were no instances of lending outside the assessment area in the twenty-one loans reviewed. For 2004, the review comprised twenty small business loans, and lending outside of the assessment area was represented by one loan. This loan represented 5% of the number, and 1% of the total loan commitment amounts reviewed.

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

- Lending to borrowers of various income levels was reasonable and showed good penetration. Samples of the bank's HMDA data for real estate home purchase and improvement, as well as small business loan records, were reviewed to form our conclusions. Data was compiled separately for the years 2003 and 2004.

Home Purchase and Improvement Loans

To assess lending to borrowers of different incomes, a review of consumer mortgage and home improvement loans was made from 2003 and 2004 HMDA data gathered at the point of application. The following charts present a summary of findings for each year:

2003

Real Estate Loan Distribution by Applicant Income

Census Tract Median Family Income Levels	Area Population Distribution	Number of Loans #	Number of Loans %	Amount of Loans \$ (000)	Amount of Loans %
Low	3%	7	9%	391	5%
Moderate	18%	14	19%	1,251	18%
Middle	67%	14	19%	1,061	15%
Upper	9%	37	49%	3,375	47%
N/A	3%	3	4%	1,043	15%
TOTAL	100%	75	100%	7,121	100%

In 2003, real estate lending to low-income borrowers exceeds the demographics for both the number and amounts of loans. Lending to moderate-income borrowers exceeded the

demographics for number of loans and met the demographics for amounts of loans.

2004

Real Estate Loan Distribution by Applicant Income

Census Tract Median Family Income Levels	Area Population Distribution	Number of Loans #	Number of Loans %	Amount of Loans \$ (000)	Amount of Loans %
Low	0	9	13%	378	4%
Moderate	18%	11	16%	1,213	12%
Middle	67%	9	13%	1,045	11%
Upper	12%	19	28%	3,651	38%
N/A	3%	21	30%	3,446	35%
TOTAL	100%	69	100%	9,733	100%

In 2004, real estate lending to low-income borrowers exceeded the demographics for both number of loans and loan amounts. Real estate lending to moderate income borrowers was slightly below demographic levels.

Business Lending

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

To evaluate bank-lending patterns to businesses in its assessment area, samples of business loan applications made in 2003 and 2004 were selected at random. A significant amount of the bank's commercial loans are to small businesses with annual or projected revenues less than \$1.0 million. In 2003, 81% of the number and 86% of the dollars of the loans reviewed were to businesses with revenues of less than \$1.0 million. In 2004, 90% of the number and 91% of the dollars reviewed were to small businesses with revenues less than \$1.0 million. In 2003, survey data indicated a total of 8,282 farm and non-farm businesses in the assessment area, of which 67.2% had revenues of \$1.0 million or less. In 2004, survey data indicated a total of 8,467 farm and non-farm businesses in the assessment area, of which 67.6% had revenues of \$1.0 million dollars or less.

The results of the business lending sample review are summarized in the following tables:

2003

Small Business Loan Distribution by Applicant Income

Median Family Income Levels	Loans Reviewed #	Loans Reviewed %	Amount of Loans \$ (000)	Amount of Loans %
Low	0	0%	0	0%
Moderate	4	19%	327	34%
Middle	10	48%	378	39%
Upper	7	33%	266	27%
N/A	0	0%	0	0%
TOTAL	21	100%	971	100%

2004

Small Business Loan Distribution by Applicant Income

Median	Loans	Loans	Amount of	Amount of
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Family Income Levels	Reviewed #	Reviewed %	Loans \$ (000)	Loans %
Low	0	0%	0	0%
Moderate	2	10%	103	11%
Middle	15	75%	647	69%
Upper	2	10%	111	12%
Other	1	5%	75	8%
TOTAL	20	100%	936	100%

The bank continues to explore opportunities to further penetrate the small business lending market for customers that may not meet established bank credit guidelines. Historically, the bank has not been an SBA lender. However, they have recently been examining small business loan applications for the possibility of augmenting weak credit structure with an SBA guaranty. A member of senior management is chairman-elect of the Anderson County Development Partnership. It was stated that this group is actively looking for ways to develop financing opportunities for new small business ventures.

Geographic Distribution of Loans

- 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 consumer real estate loans within the bank’s assessment area reflects reasonable penetration. Conclusions were based on an examination of 2003 and 2004 HMDA information collected at the time of application. The results of this examination are shown in the following tables for each year:

2003

Loan Distribution by Tract Characteristics

Tract Median Family Income Levels	Area Population Distribution %	Number of Loans	Number of Loans	Amount of Loans	Amount of Loans
		#	%	\$ (000)	%
Low	3%	3	4%	94	1%
Moderate	18%	18	24%	775	11%
Middle	67%	41	55%	4,501	63%
Upper	9%	13	17%	1,751	25%
N/A	3%	0	0%	0	0%
TOTAL	100%	75	100%	7,121	100%

2004

Loan Distribution by Tract Characteristics

Census Tract	AA	Number of	Number of	Amount of	Amount of
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Median Family Income Levels	Population Distribution %	Loans #	Loans Percent	Loans \$ (000)	Loans Percent
Low	0	0	0%	0	0%
Moderate	18%	17	25%	1,328	16%
Middle	67%	37	53%	5,044	62%
Upper	12%	15	22%	1,728	21%
N/A	3%	0	0%	0	0%
TOTAL	100%	69	100%	8,100	100%

The above tables indicate a satisfactory pattern of lending activities in low and moderate-income areas. There were no low-income tracts in the assessment area in 2004. The number of loans in moderate-income tracts exceeds the demographics. The dollar amount of loans approximates the demographics. To provide further lending inroads into these areas the bank opened its first branch operation, beyond the main office, in an area characterized as moderate income.

Small Business Loan Originations

The bank's business lending penetration into low and moderate-income tracts is reasonable. To form this conclusion, we reviewed random small business loan applications for the years 2003 and 2004. To further improve penetration, the bank has opened up a new full-service branch location in an area designated as a moderate-income tract, and is also reviewing the possibility of low-income credit augmentation through SBA guarantees.

2003 Small Business Loan Distribution by Demographics

Census Tract Median Family Income Levels	Business Demographic Distribution %	Number of Loans #	Number of Loans Percent	Amount of Loans \$ (000)	Amount of Loans Percent
Low	5%	0	0%	0	0%
Moderate	14%	4	19%	327	34%
Middle	67%	10	48%	378	39%
Upper	14%	7	33%	266	27%
N/A	0%	0	0%	0	0%
TOTAL	100%	21	100%	971	100%

In 2003, business lending in low and moderate-income tracts exceeded the demographics in the dollar amounts of loans, and equaled the demographics for combined low and moderate-income tracts.

2004 Small Business Loan Distribution by Demographics

Census Tract Median	Business Demographic	Number of Loans	Number of Loans	Amount of Loans	Amount of Loans
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Family Income Levels	Distribution %	#	%	\$ (000)	%
Low	0%	0	0%	0	0%
Moderate	19%	2	10%	103	11%
Middle	64%	15	75%	647	69%
Upper	17%	2	10%	111	12%
Outside	0%	1	5%	75	8%
TOTAL	100%	20	100%	936	100%

There were no low-income tracts reported for 2004. Business lending in amount and volume did not meet the demographics. On a combined basis for both years, business lending exceeded the demographics in amounts of loans to low and moderate-income tracts, but was slightly below demographics with respect to the number of loans. As noted, in 2004 the bank opened a new branch location in a moderate-income tract to improve its penetration in this demographic sector.

Responses to Complaints

No CRA complaints have been received by the bank.

Other

Community Contacts

The following needs were expressed in discussions with community contacts:

- The City of Anderson has a current waiting list for affordable housing for low and moderate-income families. To offset funding reductions, a need was expressed for the banks in the community, as a group, to form a funding pool to assist in developing or providing housing for low and moderate-income families. At the present time 2 or 3 banks are reviewing low/moderate-income loan applications on a case-by-case basis. Bank of Anderson indicates that it has had only one request in the past from this group for financing or application processing. This application was declined.

Anti-Discrimination Compliance

Our review did not disclose any violations of the anti discrimination laws and regulations or prohibited lending practices.