



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 26, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Summit National Bank
Charter Number 22104**

**937 North Pleasantburg Drive
Greenville, SC 29602**

**Comptroller of the Currency
ADC - Carolinas Field Office
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The factors and data supporting this rating are as follows:

- > Summit National Bank's loan-to-deposit ratio exceeds the standard.
- > A majority of Summit National Bank's loans were made within their assessment area.
- > Summit National Bank's distribution of loans by borrower income level is reasonable and the geographic distribution of loans is good.

DESCRIPTION OF INSTITUTION

Summit National Bank (SNB) is \$269 million intrastate commercial bank headquartered in Greenville, SC. The bank operates three full service offices in Greenville and one office in Spartanburg, SC. The bank does not have ATM's at any location, and each banking office has a drive-through facility. SNB is a wholly owned subsidiary of Summit Financial Corporation (SFC), also headquartered in Greenville, SC. SFC is a \$273 million financial institution holding company. In addition to SNB, SFC also owns 100% of Freedom Finance Inc., a consumer finance company, which operates eleven branches throughout SC.

SNB offers a full range of banking services to individuals and businesses, including the taking of time deposits, making loans, and offering non-deposit investment services. As of December 31, 2001, loans totaled \$205 million and deposits totaled \$219 million. Loans represent 76% of total assets. The bank is primarily a commercial and real estate lender. The distribution of the loan portfolio was as follows: commercial (including commercial real estate) (52%); 1-4 family residential properties (31%); real estate construction (13%); and consumer loans (4%). As illustrated by the loan portfolio mix, SNB is primarily a commercial and residential lender. SNB's Tier 1 capital is \$21 million and their ratio of risk-based capital to risk weighted assets is 11%. There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in the assessment area.

SNB's CRA performance was rated "Satisfactory" in the last public evaluation dated December 1, 1997.

DESCRIPTION OF GREENVILLE AND SPARTANBURG COUNTIES

SNB's assessment area (AA) includes Greenville and Spartanburg counties. Both counties are part of the Greenville-Spartanburg Metropolitan Statistical Area. The counties are contiguous and the bank's delineation meets the legal requirements of the regulation, as they have not excluded any low- or moderate-income geographies. The AA consists of 10 low (7%), 28 moderate (20%) 71 middle (51%) and 30 upper (22%) income census tracts. SNB has two banking offices located in upper- income census tracts, one in a middle- income census tract and one in a moderate- income census tract.

Approximately 151,644 families reside in the AA. Of this total 19% are classified low-income, 17% are moderate-income, 23% are middle-income and 40% are upper-income. The total population of the AA is 546,967. The 2001-updated HUD MSA median family income for the AA is \$32,471.

The AA has enjoyed continued growth in real estate development, but employment has been under stress given the condition of the textile and manufacturing industries. As of January 2002, the unemployment rate of the AA was 5.3%, which is in line with the statewide average with 5.4%. Major Greenville County employers include BiLo (4778 employees), General Electric Co. (2000 employees) and Michelin North America (1900 employees). Major Spartanburg County employers include; BMW (3000+ employees), Springs Industries (1,750-1,999 employees), Milliken (1,750-1,999 employees) and Michelin North America (1,250-1,499).

Competition in the AA is strong. There are 22 financial institutions with banking offices in the AA. Major competitors in the AA include a diverse mix of community, regional and multinational banking companies. SNB ranks 8th in deposit market share in Greenville with 3.5% and 17th in Spartanburg with 1.12%.

We made two community contacts during the examination. The types of organizations contacted were business and labor organizations. The contacts indicated the primary credit needs were small business loans (start-up and working capital) and affordable rental and 1-4 family housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on our review the bank's loan-mix and the number and dollar of originations since the last review, we determined the bank's primary loan products were home mortgage loans and commercial loans. Our analysis of home mortgage lending was based on a review of all HMDA data from 1998, 1999 and 2000. Our evaluation of commercial lending performance was based on a sample of 32 commercial loans originated or purchased since our last examination.

Our evaluation period was from January 1, 1998 through December 31, 2000. In arriving at the overall rating, more emphasis was placed on borrower income distribution and geographic

distribution than the other three categories. In completing our analysis we placed equal weight on both commercial and residential lending.

Loan-to-Deposit Ratio

SNB's quarterly average loan-to-deposit ratio since the last examination is 87%. This ratio is more than reasonable in light of the bank's capacity to lend and the volume of lending opportunities in the bank's AA. SNB's loan-to-deposit ratio consistently exceeds local competitors of similar size in the local market. Loan competitor loan-to-deposit ratios average from 65-75%.

Lending in Assessment Area

A majority of SNB's loans were made within the AA. During the period under review SNB made 82% of their loan originations within the AA. By loan product, 80% of the number and 75% of the dollar volume of home mortgage loans were inside the bank's AA. In terms of commercial loans, 97% of the number and 97% of the dollar volume were made in the AA.

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

SNB's distribution of home purchase loans is reasonable. The bank made 13% and 15% of their home mortgage loans to low- and moderate-income borrowers, respectively. Demographic information reflects 19% of the families in the AA are low-income and 17% are moderate income. The bank's performance to low-income borrowers is mitigated by the fact that 43% of the low-income families in the AA live below the poverty level, which makes it difficult for them to afford and maintain a home. In addition, 60% of the low-income families in the AA live in low-income census tracts that are not in close proximity to SNB's banking offices.

SNB's distribution of commercial loans is reasonable. The bank made 91% of their commercial loans to small businesses (businesses annual revenues of \$1 million or less). This compares favorably to the demographic information, which indicates small businesses represent 86% of the businesses in the AA. In addition, 41% of SNB's commercial loan originations were for amounts \$100 thousand or less, evidencing the bank's efforts to make small business loans, an identified community credit need.

Geographic Distribution of Loans

SNB's geographic distribution of home mortgage loans is excellent. Approximately, 6% of the bank's home mortgage loans were made in low-income geographies and 19% were made in moderate-income geographies, respectively. This compares favorably to demographic data indicating 1% and 13% of the units in these geographies are owner-occupied, respectively.

In terms of commercial loans, SNB made 19% and 3% of their loans in low- and moderate-income geographies, respectively.

Performance in the low-income tracts is excellent as demographic data indicates 7% of the businesses in the AA are located in low-income geographies.

Performance in the moderate-income census tracts is poor as demographic data reflects 14% of the businesses in the AA are located in moderate-income geographies. A review of the demographic data indicates the bank's low level of penetration in moderate census tracts may be mitigated given the majority of businesses in moderate census tracts are small averaging 1-4 employees and not actively targeted as part of the bank's overall marketing strategy. It should also be noted the bank only began operations in Spartanburg in September 2000, resulting in areas of little or no penetration in census tracts in that market.

No conspicuous lending gaps were identified during this analysis. SNB made loans (commercial or residential) in most of the census tracts in their assessment area.

Responses to Complaints

SNB did not receive any CRA related consumer complaints during this evaluation period.

Fair Lending Review

Analysis of the 1998, 1999 and 2000 HMDA-LAR reports and public comments was performed according to the OCC's risk based fair lending approach. Based on our review of this information we have determined a comprehensive fair lending examination did not need to be conducted in connection with this CRA evaluation. The last comprehensive fair lending review was performed in September 1997.