



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 25, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Anderson, National Association
Charter Number 23656

201 East Greenville Street
Anderson, SC 29621-0000

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

Bank of Anderson (BOA) 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 area (AA) through its lending activities.

The lending test for BOA 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.

BOA's primary loan products are home and business loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's home loan performance. To evaluate the bank's business lending performance, we selected a sample of business loans originated between January 1, 2009 and March 31, 2011.

DESCRIPTION OF INSTITUTION

BOA is an intrastate banking institution headquartered in Anderson, South Carolina. BOA is wholly-owned by People's Bancorporation, Inc., a three bank holding company headquartered in Easley, South Carolina. The bank received its national bank charter on September 3, 1998 and commenced operations 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, South Carolina. The bank opened a second full-service branch in 2004, also located in Anderson, South Carolina. During the evaluation period, BOA has not been involved with 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; home 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: <http://www.bankanderson.com>.

As of March 31, 2011, assets totaled \$147.3 million. Loans represented the largest portion of assets at 48 percent and consisted of 41 percent commercial real estate, 35 percent residential real estate, 14 percent construction and development, 7 percent commercial and industrial, 1 percent agriculture, and 2 percent consumer loans. BOA 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' assessment area. BOA's rating at the preceding CRA examination, dated March 28, 2005, was "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA

BOA has only one AA, which includes 34 census tracts within Anderson County. The census tracks within the AA are contiguous and do not arbitrarily exclude any low- or moderate-income geographies. Both of BOA's branches are located in the City of Anderson, which is inside the aforementioned AA.

Anderson County AA

Anderson County is located approximately halfway between Atlanta, Georgia and Charlotte, North Carolina, along U.S. Interstate 85 in South Carolina. The county is part of the Anderson MSA, which is formerly part of the Greenville-Spartanburg-Anderson MSA. The change in the metropolitan area designation occurred as a result of the 2000 Census. The city of Anderson is the largest township in the county and in the number of county seats. The Census Bureau estimates the Anderson County population to be 187,126, based on 2010 Census data. Approximately 17.65 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 Anderson County include manufacturers of automotive parts, metal products, industrial machinery, plastics, publishing, and textiles. The five largest employers in Anderson County are the Anderson County School District, AnMed Health, State of South Carolina, Electrolux Home Products, and Robert Bosch Corporation. According to the U.S. Bureau of Labor Statistics as of May 2011, the unemployment

rate for Anderson County was 9.8 percent. Refer to the table below for demographic and economic characteristics.

Demographic and Economic Characteristics of Anderson County

Population

Total Population	165,740
Number of Families	47,518
Number of Households	65,690
% Owner-Occupied	68.39%
% Occupied Rentals	21.28%
% Vacant	10.33%

Geographies

Number of Census Tracts	34
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	17.65%
% Middle-Income Census Tracts	67.65%
% Upper-Income Census Tracts	11.76%

Median Family Income (MFI)

2010 MFI for Assessment Area	\$44,322
2010 HUD Adjusted MFI for MSA	\$54,600

Economic Indicators

Unemployment Rate	9.80%
2010 Median Housing Value	\$82,839
% of Households Below Poverty Level	13.02%

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

Competition in the Anderson County AA is strong and includes numerous financial services options. As of June 30, 2010, the Federal Deposit Insurance Corporation reported 21 financial institutions, with 63 offices, operating within the AA. BOA ranks eighth in deposit market share with 4.98 percent of the AAs \$2.5 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 non-profit agency determined there is an overall credit need for affordable housing for low- to moderate-income individuals and families. Affordable housing is lacking in the AA primarily due to a high unemployment rate and depressed economy. The contact indicated a need for local lenders to donate home sites for the development/rehabilitation of affordable housing, and to provide financing for affordable housing development and rehabilitation projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BOA’s performance under the Lending Test is rated “Satisfactory”. The bank’s net loan-to-deposit ratio is reasonable. We assessed BOA’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. BOA's AA does not include any low-income census tracts; therefore, we focused on moderate-income census tracts for our review. Based on the analysis and consistent with available resources and capabilities, BOA is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

BOA's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. BOA's quarterly average LTD ratio since our last CRA examination in March 2005 is 78.11 percent. This percentage is reasonable considering the bank's asset size, financial condition, and lending opportunities in the AAs. Although BOA's LTD ratios have fluctuated over the last six years, the decline in the past three 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 been decreasing and deposits have been increasing. The average LTD for the state of South Carolina as of June 30, 2009 was 91 percent. BOA's LTD ratio at that same period was 71 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:

Lending in Anderson County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	39	86.67	6	13.33	45	9,075	92.28	759	7.72	9,834
Small Business	28	87.50	4	12.50	32	5,231	71.68	2,067	28.32	7,298
Totals	67	87.01	10	12.99	77	14,306	83.50	2,826	16.50	17,132

Source: HMDA data; Loan Sample

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

BOA meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. A relatively high proportion of households in the AA are classified below the poverty level, which contributed to the bank's lending performance. Approximately 13 percent of households in the AA are below the poverty level, which impedes their ability to qualify for residential loans.

Home Loans

The distribution of home loans to borrowers of different income levels exhibits reasonable penetration. Lending to low-income families in the AA was poor. However, more emphasis was placed on the moderate-income families given the AA's poverty rate.

The following table shows the distribution of home mortgage loans among borrowers of different income levels as compared to the percent of families in each income category, for the period of January 1, 2009 through March 31, 2011.

Borrower Distribution of Home Mortgage Loans in Anderson County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	19.55%	2.56%	17.96%	25.64%	22.67%	12.82%	39.82%	35.90%

HMDA data; 2000 U.S. Census data

Business Loans

The distribution of loans to businesses of different sizes reflects excellent penetration. Approximately 93 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 approximately 79 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.

Borrower Distribution of Loans to Businesses in Anderson County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	79.42	4.25	16.32	100
% of Bank Loans in AA by #	92.86	7.14	0.00	100
% of Bank Loans in AA by \$	45.74	54.26	0.00	100

Source: Loan sample; Dunn and Bradstreet

Borrower Distribution of Loans to Businesses by Loan Size in Anderson County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	16	57	641,159	12
\$100,001 - \$250,000	4	14	617,519	12
\$250,001 - \$500,000	5	18	1,925,000	37

\$500,001 - \$1,000,000	3	11	2,047,000	39
Over \$1,000,000	0	0	0	0
Total	28	100	5,231,056	100

Source: Loan Sample

Geographic Distribution of Loans

BOA's geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels. Emphasis was placed on moderate-income level census tracts since there are no low-income level census tracts in the AA.

Home Loans

The bank's geographic distribution of home loans in the AA reflects a reasonable dispersion throughout census tracts of different income levels. There are no low-income census tracts in the AA; therefore, lending in moderate-income census tracts was emphasized for evaluation purposes.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Home Mortgage Loans in Anderson County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage Loans	0.00%	0.00%	13.81%	10.26%	68.46%	61.54%	17.73%	28.21%

Source: HMDA data; 2000 U.S. Census data

Business Loans

The bank's geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. There are no low-income census tracts in the AA; therefore, lending in moderate-income census tracts was emphasized for evaluation purposes.

The following table details the bank's performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Anderson County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses*	% of Number of Loans	% of AA Businesses*	% of Number of Loans	% of AA Businesses*	% of Number of Loans	% of AA Businesses*	% of Number of Loans
Business	0.00	0.00	14.23	19.23	63.12	61.54	20.54	19.23

Source: Sample of loans & Dunn and Bradstreet

** 1.99 % of AA Census Tracts are classified as Not Applicable*

Responses to Complaints

BOA 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.