



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 11, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Independence National Bank
Charter Number 24564

500 East Washington Street
Greenville, SC 29601

Office of the Comptroller of the Currency

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 quarterly average loan-to-deposit (LTD) ratio is more than reasonable based on the bank's size, financial condition, area credit needs, and relevant competitive factors;
- A majority of the bank's loans are made within its assessment area (AA);
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes by the bank;
- The bank's geographic distribution of loans within its AA reflects reasonable dispersion throughout the AA; and
- The bank has received no complaints about its performance in helping to meet the credit needs of its AA.

SCOPE OF EXAMINATION

We performed a full-scope evaluation of Independence National Bank (Independence) 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 commercial loans are the bank's primary loan product. Because Independence is not required to maintain revenue and census tract data on commercial loans, we reviewed a random sample of 63 commercial loans originated during the period from January 1, 2009 through December 31, 2012.

We used 2000 US Census data to analyze the bank's small business lending for the period from January 1, 2009 through December 31, 2011. For the lending activity for the period from January 1, 2012 through December 31, 2012, we used data from the U.S. Census 2006-2010 American Community Survey.

Performance based on loans originated during the evaluation period beginning January 2009 and ending December 31, 2011 was weighted more heavily than performance during 2012. The volume of loans originated during this period was significantly larger than the volume of loans originated during the 2012 evaluation period.

DESCRIPTION OF INSTITUTION

Independence a \$125 million community bank headquartered in Greenville, SC. The bank is a wholly owned subsidiary of a one-bank holding company, Independence Bancshares Inc. The holding company is also headquartered in Greenville, SC. Neither the bank nor the holding

company has any other subsidiaries. The bank offers of a wide range of lending and deposit products and services for consumers and small businesses. The bank's website at www.independencenb.com provides a listing and description of all deposit and loan services. There has been no merger or acquisition activity during the evaluation period.

Independence has a main office and two branches located in Greenville County, South Carolina. The main office is located in a middle-income census tract in downtown Greenville. The branch office in Taylors, SC is located within a moderate-income census tract. In February of 2009, the bank opened a third branch in Simpsonville, SC located in an upper-income census tract. The main office and the branch offices are equipped with drive through banking facilities. The bank did not close any branch offices during the evaluation period.

As of December 31, 2012, Independence reported \$70 million in net loans (which is 56% of total assets), \$107 million in total deposits, and Tier One capital of \$10.2 million. The bank's loan portfolio consists of residential real estate loans (31%), commercial and commercial real estate loans (50%), construction and development loans (17%), and consumer loans (1%). Independence primarily targets the banking and credit needs of small and medium sized businesses.

Numerous national, state, and savings banks, as well as branches of several regional institutions, provide significant deposit and lending competition in the AA. According to the Federal Depository Institution Corporation's (FDIC) Market Share Report, as of June 30, 2012, Independence ranked 17th out of 32 institutions in Greenville County, SC with 1.08 percent of total deposits. Competitors in the AA include Wells Fargo, NA, ranking first with 16.52 percent of deposits and Bank of America, NA, ranking second with 15.72 percent of deposits. Management indicated that Independence does not have the resources or ability to effectively compete with the low interest rates on commercial loans offered by the larger banks.

Over the last three years, the local economic downturn increased loan delinquencies, loan defaults, and foreclosures within Independence's loan portfolio. The decline in the local real estate market had a significant impact on the performance of the bank's loans secured by real estate.

On November 11, 2011 Independence entered into a Consent Order with the Office of the Comptroller of the Currency (OCC). The Consent Order requires the Board to develop strategies to maintain sufficient capital amounts, to reduce the bank's high level of commercial real estate loans, and to reduce the bank's overall credit risk. In an effort to reduce credit risks, management has worked to limit the level of credit exceptions and strengthen credit underwriting.

There are no known legal, financial or other factors impeding Independence's ability to help meet the needs of its community. The bank's rating at its preceding CRA examination, dated April 7, 2007 was "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA(S)

Independence has defined Greenville County, SC as the bank’s AA, which is part of the Greenville-Mauldin, SC (MSA # 24860). Based upon 2010 Census data, the AA includes 111 census tracts. It is comprised of 12 low-income tracts, 27 moderate-income tracts, 37 middle-income tracts, and 35 upper-income tracts. The bank’s AA compiles with regulation and does not arbitrarily exclude any low-income or moderate-income census tracts.

Table 1 Demographic Information Greenville, County SC Based Upon 2010 Census						
		Low	Moderate	Middle	Upper	NA*
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	111	10.81	24.32	33.33	31.53	0.00
Population by Geography	451,225	6.92	18.78	37.84	36.46	0.00
Owner-Occupied Housing by Geography	116,410	4.27	15.90	39.45	40.38	0.00
Business by Geography	41,769	6.03	19.22	31.94	42.81	0.00
Farms by Geography	804	4.10	14.43	46.14	35.32	0.00
Family Distribution by Income Level	131,280	18.84	18.17	23.74	39.25	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	41,182	6.37	18.03	38.38	37.21	0.00
Median Family Income		56,013	Median Housing Value			\$150,708
HUD Adjusted Median Family Income for 2011		58,300				
Households Below Poverty Level		13.44	Unemployment Rate			7.4 %

(*) The NA category consists of geographies that have not been assigned an income classification.
 2011 HUD updated MFI; 2010 Census Data; *Bureau of Labor Statistics Dec. 2012 estimate

The economy for the AA remained stable throughout the evaluation period. According to the Bureau of Labor Statistics, the December 2012 unemployment rate for the Greenville-Mauldin SC, MSA was 7.1 percent which compared to the state unemployment rate of 8.4 percent. The December 2012 unemployment rate for Greenville County was 7.4 percent.

According to 2012 updated Dunn and Bradstreet data, there were 41,769 non-farm businesses located in Greenville County. Approximately 28,770 or 69 percent have revenues less than \$1 million. The AA is a diverse economy with government, service and manufacturing industries providing the majority of employment opportunities. According to information from the Greenville Economic Development Corporation, the top five employers in the AA include the School District of Greenville County, the Greenville Hospital System, Michelin North America Inc, Bon Secours St Francis Health System, and GE Energy.

During this evaluation, we made a community contact to help determine the credit needs in the AA. According to this community contact, there is a significant need for small business loans between \$10,000 and \$50,000. According to the contact, obtaining financing for these smaller dollar amounts is often more difficult for small business because the majority of banks are more interested in originating larger real estate secured commercial loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Independence meets the standards for satisfactory performance. 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.

- Independence's quarterly average LTD is reasonable given the bank's size, financial condition, and AA credit needs.
- A majority of the loans originated by Independence are to customers from within its AA.
- The distribution of loans to businesses of different sizes is reasonable.
- The geographic distribution of loans is reasonable.

Loan-to-Deposit Ratio

Independence's LTD ratio is outstanding. Independence's quarterly average LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average LTD ratio for the period from March 30, 2007 to September 30, 2012, was 97 percent. In comparison, the average LTD ratio of the bank's peer group was 74 percent. The peer group consisted of 4 similarly-sized institutions in South Carolina. During the 23 quarter period, Independence's LTD ratio ranged from a low of 74 percent to a high of 120 percent. The bank's peer group LTD ratios ranged from a low of 44 percent to a high of 103 percent.

Lending in Assessment Area

The bank's lending in its AA is satisfactory. The majority of Independence's commercial loans originated within the bank's AA. Based upon our review of 63 business loans, 65 percent of the total number and 66 percent of the total dollar amount were within the bank's AA.

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

Independence's distribution of loans reflects reasonable penetration among businesses of different sizes.

The distribution of loans to businesses made during the period from 2009 through 2011 reflects excellent penetration among businesses of different sizes given the demographics of the AA. From the sample of 43 loans, 78 percent of the total number and 76 percent of the dollar volume of small business loans were made to businesses with revenues less than one million dollars or less. Independence's distribution of loans exceeded demographic ratios. The demographic data shows that

65 percent of businesses in the AA reporting revenue data have gross revenues equal to, or less than one million dollars. In addition, 48 percent of the total loans were for loan amounts less than \$100,000. The following tables reflect the examiner’s analysis of the bank’s record of lending to small businesses.

Table 2 Borrower Distribution of Loans to Businesses in Greenville County SC AA January 1, 2009-December 31, 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	3%	31%	100%
% of Bank Loans in AA by #	78%	15%	7%	100%
% of Bank Loans in AA by \$	76%	21%	3%	100%

Source: Independence loan sample; 2011 Dunn and Bradstreet data

Table 2a Borrower Distribution of Loans to Businesses by Loan Size in Greenville County SC AA January 1, 2009 – December 31, 2011				
Loan Size (000's)	# of Loans	% of Number	\$ Volume of Loans (000)	% of \$ Volume
\$0 - \$100,000	13	48%	\$ 650	14%
\$100,001 - \$250,000	10	37%	\$1,778	37%
\$250,001 - \$500,000	1	4%	\$ 364	8%
\$500,001 - \$1,000,000	3	11%	\$1,974	41%
Over \$1,000,000	0	0%	\$ 0	0%
Total	27	100%	\$4,766	100%

Source: Independence loan sample

The distribution of loans to businesses made during 2012 reflects poor penetration among businesses of different sizes. From the sample of 20 loans, 43 percent of the total number and 30 percent of the dollar volume of small business loans were made to businesses with revenues less than one million dollars or less. Independence’s distribution of loans was below area demographics. The demographic data shows that 69 percent of businesses in the AA reporting revenue data have gross revenues equal to, or less than one million dollars. In addition, 36 percent of the total loans were for loan amounts less than \$100,000. The following tables reflect the examiner’s analysis of the bank’s record of lending to small businesses.

Table 3 - Borrower Distribution of Loans to Businesses in Greenville County, SC AA January 1, 2012-December 31, 2012				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69%	5%	26%	100%
% of Bank Loans in AA by #	43%	43%	14%	100%
% of Bank Loans in AA by \$	30%	51%	19%	100%

Source: Independence loan sample; 2012 Dunn and Bradstreet data

Table 3a Borrower Distribution of Loans to Businesses by Loan Size in Greenville MSA AA January 1, 2012 – December 31, 2012				
Loan Size (000's)	# of Loans	% of Number	\$ Volume of Loans (000)	% of \$ Volume
\$0 - \$100,000	5	36%	\$ 156	8%
\$100,001 - \$250,000	8	57%	\$1,460	73%
\$250,001 - \$500,000	1	7%	\$ 367	19%
\$500,001 - \$1,000,000	0	0%	\$ 0	0%
Over \$1,000,000	0	0%	\$ 0	0%
Total	14	100%	\$ 1,983	100%

Source: Independence loan sample

Geographic Distribution of Loans

The geographic distribution of loans was satisfactory. The distribution of loans reflects reasonable dispersion of loans throughout the AA.

The distribution of loans made during the period from 2009 through 2011, reflects reasonable dispersion throughout the AA. The bank’s percent of loans in low-income census tracts equaled the percentage of businesses located in low-income census tracts. The bank’s percent of loans in moderate-income census tracts was close to the percent of businesses located in moderate-income census tracts. Please refer to the table below.

Table 4a - Geographic Distribution of Commercial Loans in Greenville County, SC AA January 1, 2009- December 31, 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial Loan Sample	4%	4%	14%	11%	46%	37%	36%	48%

Source: Independence loan sample; 2011 Dunn and Bradstreet data.

The geographic distribution of loans originated in 2012 reflects reasonable dispersion throughout the AA. Based upon our sample of 20 small business loans, the bank did not originate any loans in low-income census tracts. The bank’s percent of loans in moderate-income census tracts was somewhat lower than the percent of businesses located in moderate-income tracts. Please refer to the table below.

Table 4a - Geographic Distribution of Loans to Businesses in Greenville County SC AA January 1, 2012 – December 31, 2012								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial Loan Sample	6%	0%	19%	14%	32%	43%	43%	43%

Source: Independence loan sample; 2012 Dunn and Bradstreet data.

In November 2012, Independence committed a \$750,000 line of credit to Community Options Inc. (Community Options), a 501(c)(3) non-profit organization. The nonprofit will use the line of credit to purchase residential homes in Greenville and surrounding upstate regions of South Carolina for eligible low-income individuals with disabilities and special needs. Community Options develops residential and employment support for individuals with mental retardation, autism, and other physical disabilities. The South Carolina Department of Disabilities and Special Needs and the Housing Trust Fund will repay the bank’s line of credit. The Housing Trust Fund is administered by the Department of Housing and Urban Development.

Responses to Complaints

Independence did not receive any CRA related complaints during this 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.