

PUBLIC DISCLOSURE

May 30, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Seneca National Bank
Charter #23799
201 By-Pass 123
Seneca, South Carolina 29679**

**Office of the Comptroller of the Currency
Carolinas Field Office
6100 Fairview Road, Suite 1154
Charlotte, North Carolina 28210**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Seneca National Bank** prepared by **The Office of the Comptroller of the Currency** as of May 30, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory.**

- ♀ The institution exhibits a reasonable average loan-to-deposit ratio.
- ♀ The institution's record of lending to borrowers within its assessment area is satisfactory.
- ♀ The distribution of loans by income reflects adequate penetration.
- ♀ No CRA related complaints have been received.
- ♀ No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

DESCRIPTION OF INSTITUTION

Seneca National Bank is a one branch institution located in Seneca, South Carolina. The bank opened for business on February 5, 1999 and this is the first evaluation of CRA performance. The bank's office is located within an upper-income census tract. Seneca National Bank is a subsidiary of Peoples Bancorporation, Inc., Easley S.C., a three bank holding company with total assets of \$213 million as of December 31, 1999.

As of March 31, 2000 the bank's total assets were \$19 million, with total deposits of \$15 million. Since the bank's opening in February 1999 net loans originated total \$14 million representing 74% of total assets, and are originated primarily for commercial and 1-4 family residential real estate lending purposes. The loan portfolio is comprised primarily of:

<u>Dollar Amount</u>	<u>Portfolio %</u>	<u>Loan Type</u>
11,952M	84%	Secured by real estate, construction, and home equity
1,585M	11%	Commercial and industrial loans
660M	5%	Consumer loans

There are no financial or legal impediments restricting the lending activities of the bank.

DESCRIPTION OF ASSESSMENT AREA

Seneca National Bank has defined its assessment area as Oconee County, South Carolina. The assessment area contains 11 adjacent census tracts. The county is not located within a Metropolitan Statistical Area (MSA). Lending to borrowers of different incomes was evaluated on the basis of the 1999 statewide updated MSA/Non MSA median family income of \$38,800. 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 1990 census figures, the census tracts breakdown is as follows:

	<u>Income</u>		<u>Families</u>	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Low	0	0%	2,661	15%
Moderate	0	0%	2,831	16%
Middle	8	74%	3,615	21%
Upper	3	26%	8,105	47%

The population of Oconee County was 64,059 as of January 1, 1999. Total available housing units was 25,983 as of 1990. Approximately 66% of available housing units are owner-occupied. Rental units represent 23% of available housing.

Population in Oconee County at 64,059 in 1998 grew 24% since 1980. The labor market is good with unemployment at 3.6% as of 1998. This compares to 3.8% in South Carolina. Oconee County supports a diverse manufacturing industry. For many years the area was known primarily as a textile region. In the last several years, there have been several major manufacturing developments in Oconee County that are not textile related. Westpoint Stevens is the largest industrial employer in the county. Other large employers include Clemson University, Duke Power Company and Oconee Memorial Hospital.

Tourism and industrial growth continues to grow as the area becomes a haven for retirement homes which are in addition to the many vacation homes already located in the county. There is an abundance of recreational facilities in the county and surrounding area. These include three state parks, and Lakes Kewoee, Jocassee and Hartwell. Lake Hartwell is one of the most visited in the nation.

Competition in the institution's assessment area is extensive and includes several regional and community banks, credit unions, and finance companies. The bank's main competitors in the assessment area are the local community banks. The larger regional institutions also compete for deposit and loan customers in the bank's service area.

Two community contacts were made in conjunction with this examination. The individuals represented local business development entities. These contacts indicated a need within the community for small business lending to meet the continued growth of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

♀ The bank's average loan-to-deposit ratio is reasonable.

The average loan-to-deposit (LTD) ratio since the bank opened in 1999 is 73% and meets the standards for satisfactory performance. This is calculated on a quarterly average. The bank's loan to deposit ratio was 94% as of March 31, 2000. The average for peer banks was 76% for the same period. Banks with average assets under \$250 million are considered peer banks for comparative purposes.

Lending in the Assessment Area

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

Consumer Lending

We performed a review of the bank's lending patterns using a sample of 20 home mortgage and improvement loans since the bank opened in February 1999. These are the institution's primary loan products. Our review of these indicated 85% of the number of loans, and 87% of total loan dollars are originated to borrowers within the assessment area.

Commercial Lending

A majority of the bank's commercial lending is extended within its assessment area based on a sample of twenty business loans originated since the bank's opening in February 1999. Our findings indicated 65% of the number of loans, and 66% of the dollar amount of loans, were originated to businesses located within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

♀ Lending to borrowers of various income levels and business revenue sizes was reasonable and showed adequate penetration. Samples of the bank's primary loan products, home purchase/ improvement and commercial loans to small businesses, were reviewed to form our conclusions.

Home Purchase and Improvement Loans

To assess lending to borrowers of different incomes, a sample of 20 consumer mortgage and home improvement loans, totaling \$784M, originated since February 1999 was reviewed. A summary of findings is provided in the following chart:

<i>Family Income Levels</i>	<i>Assessment Area Composition</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>Number</i>	<i>percentage</i>	<i>Amount(\$000)</i>	<i>Percentage</i>
<i>Low</i>	<i>15%</i>	<i>1</i>	<i>5%</i>	<i>51</i>	<i>7%</i>
<i>Moderate</i>	<i>16%</i>	<i>1</i>	<i>5%</i>	<i>10</i>	<i>1%</i>
<i>Middle</i>	<i>21%</i>	<i>5</i>	<i>25%</i>	<i>392</i>	<i>50%</i>
<i>Upper</i>	<i>47%</i>	<i>12</i>	<i>65%</i>	<i>331</i>	<i>42%</i>

Our loan sample identified few home purchase or improvement loans originated to low and moderate income borrowers. There are few applications from low or moderate income individuals received by the bank. The real estate growth in the bank's assessment area is primarily higher dollar residential homes built on or around Lake Kewoee. Other opportunities are limited as rental units represent 23%, and vacant units 14% of available housing. Mobile homes or trailers and multi-family housing are 27% of the total types of housing available. Most of this housing is located in middle income census tracts not near the bank's office. The bank is located in an upper income census tract.

Business Lending

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

To evaluate the bank's distribution of lending to various businesses in its assessment area, we reviewed a random sample of commercial loans originated since the bank opened for business. A sample of 20 commercial loans totaling \$4.2 million were reviewed. The sample consisted of loans in amounts from \$8,000 to \$450,000 made to businesses of different sizes for various purposes. The majority of the bank's commercial loans are to small businesses with less than \$1 million in revenues.

Based on the sample reviewed, it was determined that 70% of the number and 62% of the dollar amount of loans originated were to small businesses with annual revenues less than \$1 million. Demographic data shows that the bank's assessment area has 1,426 businesses with annual revenues of less than \$1 million. This represents 74% of all businesses in the assessment area. Small business loans, those less than \$100M, represents 62% of the number of all commercial loans originated since the bank opened. The bank's level of lending to small businesses is helping to meet local credit needs identified by community contacts made during this evaluation.

The following table summarizes the bank's business lending:

Borrower Distribution of Small Loans to Businesses		
Businesses with Revenues of \$1 Million or Less		Loans by Original Amount Regardless of Business Size
% of Businesses in the Assessment Area	% Bank Loans	\$100,000 or less
74%	70%	62%

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed as it would not be meaningful. There are no low or moderate-income census tracts in the bank's assessment area.

Review of Complaints

The bank has received no CRA complaints.

Other

Our fair lending review disclosed no violations of the substantive provisions of anti-discrimination laws and regulations. During our examination, we reviewed the bank's lending policies and selected a sample of consumer loans to identify instances of illegal limitations. Our review disclosed no evidence of any prohibited lending practices.