



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

September 30, 1998

Community Reinvestment Act Performance Evaluation

**The Peoples National Bank
Charter No. 21037
1800 East Main Street
Easley, South Carolina 29640**

**Office of the Comptroller of the Currency
Carolinas Field Office
6100 Fairview Road, Suite 1154
Charlotte, North Carolina 28210-3277**

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 Peoples National Bank** prepared by **The Office of the Comptroller of the Currency**, as of September 30, 1998. 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 bank's performance was reviewed for the period of May 9, 1996 to September 30, 1998. The institution's average loan-to-deposit ratio is reasonable. A substantial majority of the bank's loans and lending activities are within the bank's assessment area. The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low-and moderate-income, and businesses of different sizes.

The following table indicates the performance level of The Peoples National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE PEOPLES NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received.		

DESCRIPTION OF INSTITUTION

Headquartered in Easley, South Carolina, The Peoples National Bank serves the communities within and adjacent to Pickens County in South Carolina. In addition to the main office in Easley, branch offices are located in Powdersville and Pickens, South Carolina. The bank is a subsidiary of Peoples Bancorporation.

As of September 30, 1998 average assets were \$123 million, with total deposits of \$106 million. Net loans at \$72 million are originated primarily for 1-4 family residential and real estate lending purposes. The loan portfolio is comprised of:

- 72% Secured by real estate, construction, and home equity-both commercial & consumer
- 14% Commercial and industrial loans
- 14% Consumer loans

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

DESCRIPTION OF ASSESSMENT AREA

Peoples National Bank has defined its assessment area as 41 adjacent census tracts in Pickens, Greenville and Anderson Counties in South Carolina. All three counties are located within the Greenville-Spartanburg Metropolitan Statistical Area (MSA #3160). 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>Households</u>	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Low	0	0%	0	0%
Moderate	4	10%	4,321	8%
Middle	30	75%	43,325	76%
Upper	6	15%	8,746	16%
Unidentified	1			

Population in the area has doubled since 1950 and is the fastest growing MSA in the state. The labor market is good with unemployment at 2.10% as of September 30, 1998. Manufacturing is stable, and continues to be the largest industry in the area with 13,000 employees and an annual payroll of \$339MM. Large gains in the labor force is seen in wholesale & retail trade, finance-insurance & real estate, and services industries for the period of 1990-1996. Clemson University is the largest single employer in the area with 3,400 employees.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The average loan-to-deposit ratio for the period from May 6, 1996 to September 30, 1998 at 80% is more than reasonable and exceeds peer banks at 71%. This is an increase from the average loan to deposit ratio of 78% calculated during the previous CRA Evaluation period in 1996. Not reflected in the loan to deposit ratio is the number of mortgage loans originated at the bank and sold on the secondary market. Since 1996, 926 mortgages totaling over \$85 million were originated to borrowers in the area and sold.

Lending in the Assessment Area

A substantial majority of the bank's lending is within its defined assessment area. Our review indicated the bank exceeds the standards for satisfactory performance with 89% of the number of loans, and 83% of total loan dollars are originated within the 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 good penetration. The number of loans originated to the various income levels is nearly identical to assessment area composition. Dollar amounts of overall lending are higher in the upper income categories as the loan amounts are higher in these mortgages. To assess lending to borrowers of different incomes, a sample of 60 consumer mortgage loans was reviewed. This sample included mortgage loans originated in the past 24 months. A summary of findings is provided in the following chart:

Individual Income Level	Assessment Area Composition	Number of Loans		Loan Dollars	
		<i>number</i>	<i>percentage</i>	<i>amount</i>	<i>percentage</i>
Low	18%	11	18%	\$ 235	6%
Moderate	18%	9	15%	342	9%
Middle	25%	13	22%	551	25%
Upper	38%	27	45%	2,512	69%

This loan distribution is reasonable compared to the composition of the assessment area. The 1998 HUD Updated MSA Median Family Income level of \$43,700 was used.

Lending to businesses of various sizes was found to be reasonable. A sample of 23 commercial loans to different borrowers was reviewed. Loans in the amounts from \$10,000 to \$1,000,000 were 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.

Geographic Distribution of Loans

Distribution of credit throughout the various census tracts within the bank's assessment area was found to be reasonable. Geographic distribution was tested using a sample of 27 mortgage loans listed on the bank's HMDA/LAR. Results indicated the following:

<i>Census Tract</i>	<i>Assessment Area Composition</i>	<i>Number of Loans</i>	<i>Dollar Amount of Loans</i>
<i>Low</i>	0%	0%	0%
<i>Moderate</i>	10%	4%	2%
<i>Middle</i>	75%	67%	69%
<i>Upper</i>	15%	29%	29%

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.