



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**April 9, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Independence National Bank  
Charter Number 24564**

**500 East Washington Street  
Greenville, SC 29601**

**Comptroller of the Currency  
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.**

## **INSTITUTION'S CRA RATING:**

**This institution is rated Satisfactory.**

Independence National Bank's performance rating is supported by the following factors:

- A more than reasonable loan-to-deposit ratio;
- A majority of loans are in the assessment area;
- A reasonable dispersion of loans in the assessment area to borrowers of different income levels and businesses of different sizes, particularly to small businesses;
- A reasonable geographic distribution of loans in the assessment area, and
- No complaints were received during this evaluation period.

## **DESCRIPTION OF INSTITUTION**

Independence National Bank (INB) is an intrastate institution headquartered in Greenville, South Carolina with one full service banking location. The bank commenced operations in May 2005 with the opening of its main office on 500 East Washington Street. The location is in a middle-income census tract. INB is a wholly owned subsidiary of Independence Bancshares, Incorporated, a one-bank holding company. The bank's primary focus, as well as the holding company, is to fulfill the financial needs of the small business owner, legal community, medical community, insurance agencies, and real estate developers, including clients involved in residential construction, acquisition/development, and clients owning and developing income producing properties primarily in the City of Greenville and the broader Greenville metropolitan area.

INB offers a variety of products and services that include various deposit and loan products, automated teller/debit cards, telephone and Internet-banking services with 24-hour access to customer account information. INB emphasizes a range of lending services that include real estate, commercial, and equity-line consumer loans to individuals and small- to medium-sized businesses and professional firms located in or conduct a substantial portion of their business in the bank's market.

According to the Federal Depository Institutions Corporation's Market Share Report, there were twenty-nine banks in Greenville County as of June 30, 2006. Competition is strong in Greenville County with all of the largest banks in the state of South Carolina, as well as super regional banks, finance companies, and credit unions represented. INB had a little over one half of a percent of the market share and ranked seventeenth in the market. INB ranks second in market share when compared to other banks in the -market that have one banking office.

INB had total assets of \$75.7 million as of December 31, 2006. Gross loans represented 74 percent of average assets. Net loans represented 82 percent of total assets. The bank's primary loan products are commercial and residential mortgage loans. Commercial lending represents 77 percent of the total loan portfolio with the remaining 23 percent in consumer lending. This is consistent with the institution's overall strategic goals and objectives.

There are no financial circumstances or legal impediments, other than legal lending limits that would adversely impact the bank's ability to meet the credit needs of its assessment area. This is INB's first Community Reinvestment Act (CRA) examination since opening in May of 2005. Our evaluation period covers home mortgage lending activities from January 1, 2006 through December 31, 2006, as this was the first full year of reporting home mortgage activity under the Home Mortgage Disclosure Act. Our assessment of commercial loan activity begins on the bank's opening date of May 16, 2005 through December 31, 2006.

## **DESCRIPTION OF ASSESSMENT AREA**

INB's assessment area (AA) meets the technical requirements of the CRA and does not arbitrarily exclude low- and moderate-income census tracts. The defined AA consists of Greenville County. Greenville County is part of the Greenville Metropolitan Statistical Area (MSA #24860). The AA included ninety census tracts. Five (6 percent) are low-income, 24 (27 percent) are moderate-income, 38 (42 percent) are middle-income, and 23 (26 percent) are upper-income census tracts. According to the 2000 U.S. Census, the total population of this defined AA is 379,616.

Greenville County is located in the northwestern region of South Carolina, also known as the Upstate. The City of Greenville is the county seat. Manufacturing, government, and retail services primarily support the local economy. The five largest employers in Greenville County are Greenville Hospital System, Clemson University, General Electric Company, Saint Francis Health System, and Bob Jones University. The area continues to be dependent upon the manufacturing industry and has experienced layoffs and plant closings in past years. The unemployment rate is 5.4 percent for Greenville County and is lower than the state unemployment rate of 6.5 percent.

As a part of our review, we also incorporated information obtained from local community contacts. These contacts indicated a need for affordable housing including rental housing and home purchases.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### LOAN-TO-DEPOSIT RATIO

- **The bank's average loan-to-deposit ratio is more than reasonable at 94 percent.**

INB's average loan-to-deposit ratio, since its opening on May 16, 2005, is more than reasonable considering the size of the bank and the competition in the AA. This level compares favorably to the peer bank average of 86 percent for new banks similar in size throughout the nation for the same time period. Although the bank faces strong competition in its AA, none of the bank's local competitors are considered similarly situated, particularly in terms of length of time in business, asset size, and operating history.

### LENDING IN ASSESSMENT AREA

- **A majority of INB's lending is within the assessment area.**

INB's lending levels reflect a satisfactory responsiveness to community credit needs. A majority of the bank's residential loan portfolio was originated in the assessment area, as well as a majority of commercial loans sampled. Home mortgage data for 2006 indicated that 23 of the 38 home mortgages or 61 percent originated in the assessment area. The dollar volume of the home mortgages originated in the assessment area was \$3.6 million or 40 percent.

We sampled 30 commercial loans and found that there were 19 business loans or 63 percent originated in the assessment area and \$13.5 million or 67 percent of the dollar volume of this sample are in the assessment area.

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

- **INB's lending to borrowers of different income levels and business of different sizes is reasonable when considering the short existence of the bank in the AA at one location.**

#### *Residential Mortgages*

Demographics indicate that approximately 19 percent of families are low-income, 17 percent are moderate-income, 21 percent are middle-income, and 43 percent are upper-income. Our analysis of HMDA data indicated that of the 25 mortgage loans extended in 2006, there were none extended to low-income individuals and 11 or 44 percent of the loans did not have income available to determine the income level. However, of the remaining 14 loans, the bank originated 1 or 7 percent to moderate income borrowers, 2 or 14 percent to middle-income, and 11 or 79 percent to upper-income borrowers. Based on dollar volume, the lending activity was 3 percent to moderate-income, 5 percent to middle income and 92 percent to upper-income individuals.

Although the bank's level of lending to low-income individuals is below the demographics and the level of lending to moderate-income individuals is near the demographics, the level of lending is considered reasonable given the bank's short period of operations in the market from one banking location.

### ***Small Business Lending***

For small business lending, demographics indicate that 89 percent of the businesses in the assessment area had revenues of \$1 million or less. INB's performance was under the demographics based on the commercial loans sampled. The sample of 30 loans indicated that 60 percent of the number and 49 percent of the dollar volume of commercial loans were made to businesses with revenues of \$1 million or less.

This level of performance is reasonable when considering the bank's short time of operation with one office in the AA and the strong competition in the AA.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

- **The bank's geographic distribution of loans is reasonable.**

### ***Residential Mortgages***

Demographics for owner occupied housing for each income census tract of Greenville County indicates that owner occupancy is 2 percent in low-income tracts, 16 percent in moderate-income tracts, 47 percent in middle-income tracts, and 35 percent in upper-income tracts. Our analysis of the geographic distribution of home mortgage loans extended in the assessment area indicates that 2 loans or 8 percent of the number and 4 percent of the dollar volume were originated in low-income tracts. Two loans or 8 percent of the number and 6 percent of the dollar volume were originated in moderate-income tracts. Seven loans or 58 percent of the number and 17 percent of the dollar volume were originated in middle-income tracts. Fourteen loans or 56 percent of the number and 73 percent of the dollar volume were originated in upper-income tracts.

The bank's performance is favorable for loans in low-income census tracts. Loans in moderate-income areas were below demographics. This level of performance is reasonable when considering the bank's short time of operation with one office in the AA and the strong competition in the AA.

### ***Small Business Lending***

Demographics indicate that 5 percent of businesses were located in low-income census tracts, 15 percent were located in moderate-income tracts, 47 percent were located in middle-income census tracts, and 33 percent in upper-income census tracts. Based on our commercial loan sample of 19 loans in the assessment area, one business loan or 6 percent and 11 percent of the dollar volume were in low-income tracts. Five businesses loans or 28 percent were in moderate-income tracts with dollar volume representing 30 percent. Six or 32 percent were in middle-income tracts representing 14 percent of the dollar volume, and seven or 37 percent were in

upper-income census tracts or 45 percent of the dollar volume.

INB's performance is favorable, with the low- and moderate-income number of loans and dollar volumes exceeding demographics.

### **RESPONSES TO COMPLAINTS**

Management has not received any CRA related complaints since the last examination. However, an informal response process is in place to address such complaints when they are received.

### **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.