



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 01, 2008**

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

South Carolina Bank and Trust of The Piedmont, National Association  
Charter Number 23063

1127 Ebenezer Road  
Rock Hill, SC 29732-0000

Office of the Comptroller of the Currency

CAROLINAS (CHARLOTTE)  
6100 Fairview Road Suite 1154  
Charlotte, NC 28210-3277

**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.**

Summarize the major factors supporting the institution's rating.

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

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses South Carolina Bank and Trust of the Piedmont's (SCBT of the Piedmont) capacity to help meet the credit needs of the community in which it operates. The lending test evaluates a bank's record of helping to meet the credit need of its assessment area (AA) through its lending activities. We assessed the bank's performance by reviewing loans from its two primary loan products, commercial and residential mortgage loans originated between January 1, 2005 and December 31, 2007. The bank reports home mortgage data under the requirements of the Home Mortgage Disclosure Act (HMDA). To evaluate the bank's business lending performance, we reviewed a sample of business loans. Consumer and agricultural loans are not primary products and were not reviewed during this evaluation period. Similarly, there were a minimal number of multifamily and home improvement loans originated or purchased during the evaluation period; therefore, an analysis would not be meaningful and was not performed.

We used the 2000 United States (U.S.) Census demographic information. We did not perform an evaluation of the bank's Lancaster County AA-non MSA due to the limited amount of time the AA has been established. There has been very limited residential and small business lending in the area; therefore, an analysis would not be meaningful.

**DESCRIPTION OF INSTITUTION**

SCBT of the Piedmont is an intrastate institution headquartered in Rock Hill, South Carolina (SC). The bank commenced operations in June 1996 and now operates six full-service banking locations. The Ebenezer Road and East Main Street branches are located in Rock Hill, in an upper-income census tract (0607.00) and a middle-income census tract (0613.01) respectively. The East Tom Hall Street and Dave Gibson Boulevard branches are located in Fort Mill, in a middle-income census tract (0611.01) and an upper-income census tract (0610.02) respectively. The City of York is home to

the East Liberty branch, which is located in a moderate-income census tract (0616.02). The remaining office, the Indian Land branch, was opened during the evaluation period in June 2006. The introduction of this office added one new census tract (0112.00) and Lancaster County to the bank's AA. SCBT of the Piedmont is a wholly-owned subsidiary of SCBT Financial Corporation, which is headquartered in Columbia, SC.

The bank offers a variety of loan products for businesses and individuals, as described in the CRA public file. The bank's primary market and service area during this evaluation period has been York County, SC. SCBT of the Piedmont emphasizes a range of lending services, including real estate, commercial, and equity-line consumer loans to individuals and small- to medium-sized businesses and professional firms. The bank has focused its lending activities primarily on the professional market in York County, while residential lending was emphasized in Lancaster County.

SCBT of the Piedmont offers a full range of deposit services, including checking accounts, commercial checking accounts, savings accounts, and other time deposits of various types, ranging from daily money market accounts to long-term certificates of deposit. The bank also offers other bank services including safe deposit boxes, traveler's checks, direct deposit, United States Savings Bonds, and banking by mail. In addition, it offers telephone and Internet banking services, bill payment services, and cash management services. Additional information about branch locations, products, services and a schedule of fees is available at the bank's website:

<http://www.scbtonline.com>.

As of December 31, 2007, assets totaled \$288 million. Loans represent the largest portion of assets at \$236 million and consist of 28 percent non-farm and non-residential, 27 percent residential real estate, 27 percent construction and land development, 12 percent commercial and industrial, and 6 percent consumer loans/other. Agricultural lending represents less than one percent of the total loan portfolio; as such, it was not considered during this review. SCBT of the Piedmont offers a variety of lending programs with a primary focus on commercial lending, and to a lesser extent, residential real estate lending.

There are no financial circumstances or legal impediments, other than legal lending limits, which would adversely impact the bank's ability to meet the credit needs of its assessment area. SCBT of the Piedmont's rating at its preceding CRA examination, dated February 4, 2002, was "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA(S)**

SCBT of the Piedmont's AA meets the technical requirements of the CRA and does not arbitrarily exclude low- and moderate-income census tracts. The defined AA consists of York and Lancaster Counties. York County is part of the Charlotte-Gastonia-Concord, NC-SC Metropolitan Statistical Area (CGC-MSA 16740), while Lancaster County is independent of Metropolitan Statistical Areas. Both counties are part of the Charlotte-Gastonia-Salisbury Combined Statistical Area. The AA includes thirty-six census tracts. York County is composed of thirty-five census tracts, while Lancaster County accounts

for the remaining census tract in the AA.

According to the 2000 U.S. Census, the total population of this defined AA is 225,965. York County has a total population of 164,614, which represents a 25 percent population increase from 1990 to 2000. Lancaster County has a total population of 61,351, which reflects a 13 percent population increase from 1990 to 2000. The census median family income for the CGC-MSA AA is \$54,850 and \$38,927 for the Lancaster County Non-MSA AA. The Department of Housing and Urban Development's (HUD) 2007 updated median family income estimate for the CPC-MSA AA is \$62,500 and \$46,000 for the Lancaster County Non-MSA AA.

Competition in the AA is moderate. As of June 30, 2007, the Federal Deposit Insurance Corporation (FDIC) reported fifteen financial institutions, with fifty-nine offices, operate in the AA. Thirteen banks, with 49 offices, operate in York County, while six banks, with ten offices, operate in Lancaster County. These institutions held over two billion dollars in deposits. SCBT of the Piedmont's market share of this deposit base was approximately ten percent. Major competitors include offices/branches of large and regional banks.

### **York County AA – MSA 16740**

York County is located at the northwest quadrant of South Carolina and is situated in the piedmont region of the state. The county is part of the Charlotte-Gastonia-Concord, NC-SC MSA, formerly known as the Charlotte-Gastonia-Rock Hill, NC-SC MSA. There are nine municipalities within York County: Clover, Fort Mill, Hickory Grove, McConnells, Rock Hill, Sharon, Smyrna, Tega Cay and York. Rock Hill is the commercial and financial center, while the City of York is the county seat.

Considerable population growth has not impaired employment in the county. As of March 2008, the unemployment rate in York County was 5.5 percent, which mirrors South Carolina's unemployment rate during the same time period. Manufacturing, retail trade, health care and administrative services are the prominent industries of the local economy. The five largest employers in York County are Ross Distribution, Wells Fargo Home Mortgage, CitiFinancial, Duke Energy Corporation and Bowater Incorporated.

As reported by the 2000 U.S. Census, York County is comprised of one low-income, ten moderate-income, nineteen middle-income, four upper-income census tracts, and one tract that is not classified. Of the five banking offices located in York County, one office is located in a moderate-, two offices are located in middle- and two offices are located in upper-income geographies.

The following table highlights the demographic composition of the bank's York County AA:

<b>Demographic and Economic Characteristics of York County AA</b>	
<b>Population</b>	
Total Population	164,614
Number of Families	45,053
Number of Households	61,094
% Owner-Occupied	67.58
% Occupied Rentals	24.83
% Vacant	7.58
<b>Geographies</b>	
Number of Census Tracts	35
% Low-Income Census Tracts (1)	2.86
% Moderate-Income Census Tracts (10)	28.57
% Middle-Income Census Tracts (19)	54.29
% Upper-Income Census Tracts (4)	11.43
% Not Applicable Census Tracts (1)	2.86
<b>Median Family Income (MFI)</b>	
2000 MFI for Assessment Area	\$54,850
2006 HUD-Adjusted MFI	\$62,500
<b>Economic Indicators</b>	
Unemployment Rate*	5.5
2000 Median Housing Value	\$109,723
% Families Below Poverty Level	10.1

Source: Source: 2000 Census Data and HUD updated income data; U.S. Department of Labor (March 2008)

We determined the needs of the community through discussions with management and two local community contacts. The contacts consisted of agencies primarily focused on affordable housing and small business development. The primary credit needs identified by these contacts are affordable housing (1-4 family residential) and small business funding. The community contacts also indicated a need for down payment assistance programs and credit counseling.

## **Lancaster County – Non-MSA**

Lancaster County is located centrally in northern South Carolina, and is adjacent to York and Mecklenburg Counties. It is bound on the west by the Catawba River and Sugar Creek, and bound on the east by the Lynches River. The county's positioning also provides easy access to greater financial centers such as Charlotte and Rock Hill. While independent of any MSA, Lancaster County is a component of the Charlotte-Gastonia-Salisbury Combined Statistical Area. Three municipalities are located within Lancaster County: the City of Lancaster and the Towns of Kershaw and Heath Springs.

Lancaster County's economy revolves around manufacturing. The textile industry continues to provide a strong local foundation, but ongoing expansion has given rise to

over sixty industries manufacturing a variety of products in the county. The development of new industrial parks and the implementation of a business-friendly tax structure attracted professional and commercial firms, as well. Leading employers in the county include Springs Industries Inc., U.S. Textiles Corporation, Founders Federal Credit Union, Kanawha Healthcare Solutions Inc. and the Gillette Company. Despite the economic initiatives in the area, unemployment levels are relatively high. As of March 2008, the unemployment rate in Lancaster County was 9.9 percent, which nearly doubled the statewide average of 5.5 percent during the same time period.

As reported by the 2000 U.S. Census, Lancaster County is comprised of no low-income, two moderate-income, eight middle-income and three upper-income census tracts. However, the bank's AA only includes the northernmost census tract (112.00) in the county. This upper-income census tract is not contiguous with moderate-income geographies in the county, and is home to the bank's sole branch in the AA. The inclusion of the census tract coincided with the opening of the bank's Indian Land branch and provides horizontal coverage to the Union County border. Management invested in the new branch to capitalize on economic expansion in Indian Land and its advantageous positioning along U.S. Highway 521. The exclusion of the remaining census tracts in the county is attributed to the limited deposit generation from the areas. Founders Federal Credit Union has a strong presence in Lancaster County, which makes competition unprofitable for SCBT of the Piedmont south of their designated AA.

The following table highlights the demographic composition of the bank's Lancaster County AA:

<b>Demographic and Economic Characteristics of Lancaster County – Non-MSA AA</b>	
<b>Population</b>	
Total Population	61,351
Number of Families	16,905
Number of Households	23,227
% Owner-Occupied	69.85
% Occupied Rentals	23.01
% Vacant	7.15
<b>Geographies</b>	
Number of Census Tracts	13
% Low-Income Census Tracts (0)	0%
% Moderate-Income Census Tracts (2)	15.38
% Middle-Income Census Tracts (8)	61.54
% Upper-Income Census Tracts (3)	23.08
% Not Applicable Census Tracts (0)	0
<b>Median Family Income (MFI)</b>	
2000 MFI for Assessment Area	\$38,927
2006 HUD-Adjusted MFI	\$46,000
<b>Economic Indicators</b>	
Unemployment Rate*	9.9
2000 Median Housing Value	\$71,433
% Families Below Poverty Level	13.03

Source: Source: 2000 Census Data and HUD updated income data; U.S. Department of Labor (March 2008)

An evaluation of the bank’s lending performance in the Lancaster County Non-MSA AA would not be meaningful, due to the bank’s limited presence in the county, insufficient operating time and insignificant loan generation.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance under the Lending Test is rated “Satisfactory.” Based on a full-scope review, the bank’s performance in the York County AA-MSA 16740 is satisfactory. SCBT of the Piedmont has made numerous contributions to local organizations in its AA, including, monetary donations to organizations that provide care and counseling to low- and moderate-income individuals. The bank also provides financial advice to low- and moderate-income individuals who are first time homebuyers. SCBT of the Piedmont has also made loans to organizations within the AA whose purpose is to provide affordable housing to low- and moderate-income borrowers.

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. SCBT of the Piedmont’s average LTD ratio since our last CRA examination in February 2002 is 96.37 percent. This percentage is more than reasonable considering the bank’s asset size, financial condition, and lending opportunities in the assessment areas. Although the bank faces moderate competition in its assessment areas, none of the bank’s competitors are considered similarly situated. Banks of similar size throughout the nation operated at a quarterly loan-to-deposit ratio of 83.20 percent, during the same time period.

### Lending in Assessment Area

SCBT of the Piedmont’s lending levels reflect satisfactory responsiveness to community credit needs. Our analysis revealed a majority of the number and dollar amount of residential mortgage loans and business loans evaluated were originated within the bank’s AA. Our review included a sample of 1,378 loans (small business, home purchase, and home refinance) and revealed that 56.31percent in number and 56.66 percent in dollar volume are made in the bank’s AA. This analysis includes both of the bank’s AAs. Performance for each category reviewed is detailed in the following table:

Assessment Area Lending (Evaluation Period January 2005 to December 2007)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	412	55.01	337	44.99	749	78,621	56.48	60,569	43.52	139,190
Home Refinance	326	55.63	260	44.37	586	58,535	51.66	54,781	48.34	113,316
Small Business	38	88.37	5	11.63	43	15,387	91.97	1,344	8.03	16,731
Totals	776	56.31	602	43.69	1,378	152,543	56.66	116,694	43.34	269,237

Source: Sample of loans

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

Overall, performance for lending to borrowers of different incomes and businesses of different sizes is reasonable and meets the standard for satisfactory performance. SCBT of the Piedmont’s lending to businesses of different sizes, particularly to small businesses, meets the standards for satisfactory performance. The bank’s distribution of residential mortgage loans to borrowers of different income levels reflects an adequate penetration among individuals of different income levels.

Commercial lending, particularly small business lending, is the bank’s primary business line. The distribution of small business loans carried the most weight in determining lending performance. Greater weight was also given to borrower distribution in evaluating the bank’s lending performance given the relatively small number of low-income geographies in the AA.

**Small Business Lending in the York County AA-MSA 16740**

Loans to businesses with revenues of \$1 million or less represented 62.79 percent of reportable loans in the York County AA, which is near to the 63.78 percent of area business that reported revenues of less than \$1 million. In addition, 68 percent were for original amounts of less than \$250 thousand. The following tables indicate the bank’s responsiveness to providing small business lending:

<b>Borrower Distribution of Loans to Businesses in York County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	63.78	5.32	30.90	100
% of Bank Loans in AA by #	62.79	23.68	13.16	100
% of Bank Loans in AA by \$	17.09	54.50	28.41	100

*Source: Loan sample; Dunn and Bradstreet data.*

<b>Borrower Distribution of Loans to Businesses by Loan Size in York County AA</b>				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	21	55	828,850	5
\$100,001 - \$250,000	5	13	790,700	5
\$250,001 - \$500,000	5	13	2,137,847	14
\$500,001 - \$1,000,000	3	8	1,923,500	13
Over \$1,000,000	4	11	9,706,000	63
Total	38	100	15,386,897	100

*Source: Sample of loans*

**Residential Mortgage Lending in the York County AA-MSA 16740**

Lending to borrowers of different income levels is reasonable. The percentage of home



purchase and home refinance loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. This low level of penetration is reasonable considering that ten percent of families live below the poverty level and would generally not have the financial capacity to qualify for a mortgage loan. The percentage of home purchase and home refinance loans to moderate-income borrowers is reasonable as it is near to the percentage of moderate-income families in the AA.

The following table shows the percentage of home purchase and home mortgage loans in the AA compared to the percentage of families by income level residing in the York County AA.

<b>Borrower Distribution of Residential Real Estate Loans in York County AA</b>								
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 Purchase	21.03%	6.46%	19.78%	17.31%	24.40%	23.51%	34.79%	52.71%
Home Refinance	21.03%	6.64%	19.78%	16.43%	24.40%	18.88%	34.79%	58.04%

Source: Sample of loans; 2000 U.S. Census data

### **Geographic Distribution of Loans**

Overall, the distribution of small business and residential real estate loans by income of the geography is satisfactory. Lending to small businesses of various sizes is reasonable as discussed below for the AA. The bank’s distribution for residential real estate loans by income level of the geography is reasonable.

### **Small Business Lending in the York County AA-MSA 16740**

SCBT of the Piedmont’s record of lending to small businesses of various sizes reflects a reasonable geographic dispersion throughout the bank’s York County AA with 21.05 percent of the number of loans in moderate-income census tracts compared to the percent of AA businesses in moderate-income census tracts of 26.42 percent. No loans were made in low-income census tracts. There is only one low-income census tract in the York County AA. The bank also faces a moderate amount of competition from larger banks in the area. The bank’s performance is detailed in the following table:

<b>Geographic Distribution of Loans to Businesses/Farms in York County AA</b>								
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
Business	1.09	0.00	26.42	21.05	50.29	52.63	22.08	26.32

Source: Sample of loans & Dunn and Bradstreet

### **Residential Mortgage Lending in the York County AA-MSA 16740**

SCBT of the Piedmont’s geographic distribution of residential mortgage loans by income level in the geography meets the standard for satisfactory performance. The bank’s geographic distribution of home purchase loans by income level of the geography is significantly lower than the percentage of owner occupied housing in low- and moderate-income geographies. This low level of penetration is reasonable considering there is only one low-income census tract in the AA. There were no loans made in the low-income census tract. The bank’s distribution of home refinance loans by income level of the geography is reasonable as it is near to the percentage of owner occupied housing in moderate-income geographies. The following table reflects the bank’s lending performance:

<b>Geographic Distribution of Residential Real Estate Loans in York County AA</b>								
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 Purchase	1.23%	0.25%	17.15%	8.23%	63.79%	58.60%	17.83%	32.92%
Home Refinance	1.23%	0.00%	17.15%	16.29%	63.79%	61.34%	17.83%	22.36%

*Source: Loan sample & 2000 U.S. Census data*

### **Responses to Complaints**

Management has not received any CRA related complaints since the last examination.

### **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.