

**PUBLIC DISCLOSURE**

October 5, 2009

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

CapitalBank

1356535

109 Montague Avenue

Greenwood, South Carolina 29648

**Federal Reserve Bank of Richmond  
P. O. Box 27622  
Richmond, Virginia 23261**

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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**The Lending Test is rated:** Satisfactory.

**The Community Development Test is rated:** Satisfactory.

The major factors supporting this rating include:

- The bank’s loan-to-deposit ratio is considered reasonable when considering bank capacity and local market conditions.
- A substantial majority of the institution’s small business and Home Mortgage Disclosure Act (HMDA) loans were originated within the bank’s assessment areas.
- Lending to borrowers of different income levels and businesses of different sizes is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered reasonable given area demographics and aggregate data.
- An adequate level of community development performance through participation in community development loans, qualified investments, and community development services was noted.
- There have been no complaints regarding the bank’s CRA performance since the previous CRA evaluation.

**DESCRIPTION OF INSTITUTION**

CapitalBank is headquartered in Greenwood, South Carolina, and operates 17 additional branch offices in western South Carolina. The bank is a wholly-owned subsidiary of Community Capital Corporation, a single-bank holding company also located in Greenwood County. The bank received a satisfactory rating at its prior CRA evaluation dated October 15, 2007.

As of June 30, 2009, the bank had total assets of \$813.2 million, of which 74.3% were loans and 8.1% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes.

The following chart details the composition of the bank’s loan portfolio as of June 30, 2009.

**Composition of Loan Portfolio**

Loan Type	6/30/2009	
	\$(000s)	%
Secured by 1-4 Family dwellings	205,335	33.2
Multifamily	17,842	2.9
Construction and Development	176,535	28.5
Commercial & Industrial/ NonFarm NonResidential	192,406	31.1
Consumer Loans and Credit Cards	7,385	1.2
Agricultural Loans/ Farmland	7,011	1.1
All Other	12,803	2.1
<b>Total</b>	<b>619,317</b>	<b>100.0</b>

The bank serves three contiguous assessment areas within the State of South Carolina. **APPENDIX B** provides data that reflects the distribution of branch offices, along with deposit and loan volume. One assessment area includes contiguous portions of the Anderson, SC Metropolitan Statistical Area (MSA) and the Greenville, SC MSA. When combined, these two MSAs comprise the Greenville-Spartanburg-Anderson, SC Combined Statistical Area (CSA). The following tables reflect the current geographic composition of the bank’s assessment areas.

Nonmetropolitan Assessment Area			
Name	State	City/County	Census Tracts Included
Midlands	SC	Abbeville	All
	SC	Greenwood	All
	SC	Newberry	All

Metropolitan Assessment Areas			
Name	State	City/County	Census Tracts Included
Greenville-Spartanburg-Anderson, SC CSA	SC	Anderson	All
	SC	Greenville	0001.00 - 0023.04
			0024.02 - 0036.02
			0037.02 - 0037.04 0038.01 - 0039.02
	SC	Laurens	All
SC	Pickens	0108.03 - 0109.03 0110.02 - 0112.03	
Columbia MSA	SC	Saluda	All

Since the previous examination, one branch office has been opened in Greer, South Carolina (Greenville-Spartanburg-Anderson, SC CSA assessment area) on November 5, 2007, and no branch offices have been closed. The bank’s branching activity did not necessitate any changes to the existing assessment areas.

**SCOPE OF EXAMINATION**

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). The bank is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, the bank’s 2007 and 2008 HMDA loan originations were considered in the evaluation and included 1086 such loans totaling \$182 million. Additionally, based on the institution’s recent historical loan volume, small business loans were identified as a primary credit product and were also considered in the evaluation. The analyses included a sample of 148 small business loans selected from a universe of 548 such loans totaling \$61.9 million extended during 2008. Qualified community development loans and services are also considered for activities provided since the previous evaluation (October 15, 2007). All qualified investments outstanding as of the examination date were also considered regardless of when made.

Because of its relative size determined by concentration of lending and deposit activity, number of branch locations, and market population, the Midlands and the Greenville-Spartanburg-Anderson, SC CSA assessment areas were reviewed using full review evaluation procedures. The Columbia assessment area was evaluated using the limited review evaluation procedures.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

When evaluating the bank’s performance, consideration is generally given to the bank’s level of lending in conjunction with relevant demographic data from the 2000 census; aggregate HMDA and small business data from calendar years 2007 and 2008; and recent Dun & Bradstreet (D&B) business demographic data. Analyses of lending during the review period are discussed in greater detail in subsequent sections of this evaluation. While the HMDA and small business loan data from calendar years 2007 and 2008 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2008 are presented in the assessment area analyses. In instances where the performance during 2007 varies significantly from performance in 2008, such variances and the corresponding impact on the overall performance are discussed.

When evaluating lending performance for a specific loan type, primary consideration is given to the number (and corresponding percentage) of transactions. The institution's rating is based on the combined performance of each loan category, and primary consideration is given to the dollar volume each category contributes to the overall activity considered in the evaluation.

Overall, the bank's lending test performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, borrower distribution performance, and geographic distribution performance. Each of these components is discussed in the following sections.

### Loan-To-Deposit Ratio

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. During a seven-quarter period ending June 30, 2009, the quarterly average of loan-to-deposit ratios of all banks headquartered in nonmetropolitan areas of South Carolina and of similar asset size to CapitalBank ranged from 74.4% to 83.3%. The bank's average loan-to-deposit ratio for the same time period equaled 120.9% and ranged from 106% to 127.4%. Currently, the institution's loan-to-deposit ratio equals 106% (June 30, 2009). Since December 31, 2007, deposits and assets have increased by 9.4% and 1.7%, respectively, while loans have decreased by 5.6%. Within the context of the CRA and considering relevant performance context factors such as bank size, financial condition, and local area credit needs, the bank's loan-to-deposit ratio is considered reasonable.

### Lending in Assessment Area

To determine the institution's volume of lending within its assessment areas, 1,086 HMDA and a sample of 148 small business loans were reviewed. The lending distribution is represented in the following table for the assessment areas.

**Comparison of Credit Extended Inside and Outside of Assessment Area(s)**

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	444	76.6	65,928	66.5	136	23.4	33,199	33.5
Home Improvement	75	98.7	6,932	99.7	1	1.3	20	0.3
Multi-Family Housing	11	91.7	18,478	94.3	1	8.3	1,126	5.7
Refinancing	373	89.2	41,943	73.8	45	10.8	14,865	26.2
<b>Total HMDA related</b>	<b>903</b>	<b>83.1</b>	<b>133,281</b>	<b>73.0</b>	<b>183</b>	<b>16.9</b>	<b>49,210</b>	<b>27.0</b>
Small Business*	140	94.6	24,271	92.4	8	5.4	1,986	7.6
<b>TOTAL LOANS</b>	<b>1,043</b>	<b>84.5</b>	<b>157,552</b>	<b>75.5</b>	<b>191</b>	<b>15.5</b>	<b>51,196</b>	<b>24.5</b>

*\*The number and dollar amount of loans reflects a sample of such loans originated during the evaluation period and does not reflect loan data collected or reported by the institution.*

As illustrated in the preceding chart, a substantial majority of the number and dollar amount of small business loans were extended to businesses located within the bank's assessment areas, while a substantial majority of the number and a majority of the dollar volume of HMDA loans were originated to residents of the bank's assessment areas. Overall, the institution's level of lending within its assessment areas is considered highly responsive to community credit needs.

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

Within the bank's market areas, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a significant majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of businesses with

annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of bank lending. Overall, the bank's level of lending to low- and moderate-income borrowers and to businesses with annual revenues of \$1 million or less within the bank's assessment areas is considered reasonable.

### **Geographic Distribution of Loans**

There are no low-income census tracts within two of the three assessment areas; only the Greenville-Spartanburg-Anderson, SC CSA assessment area contains low-income census tracts. All of the assessment areas, however, contain at least one moderate-income census tract. The bank's geographic distribution performance varies from poor for small business lending in the Greenville-Spartanburg-Anderson, SC CSA assessment area to excellent for both residential mortgage lending and small business lending in the Columbia, SC MSA assessment area. Overall, the bank's geographic distribution performance is considered reasonable.

### **COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

CapitalBank supports community development initiatives and organizations that benefit their local markets and statewide area by funding community development loans, making qualified investments, and providing financial expertise and other support to local organizations providing community development services. Discussions with individuals knowledgeable of the local market areas and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are considered reasonably available in the Greenville-Spartanburg-Anderson, SC CSA assessment area and are limited in the Midlands and Columbia, SC MSA assessment areas. CRA performance context considers not only available opportunities but bank capacity as well. As evidenced by its recent loan-to-deposit ratio (106%), the bank has been an active lender. Given the current loan-to-deposit ratio, the bank's capacity for additional lending, including community development lending, is somewhat constrained. Additionally, the bank faces moderate constraints regarding investment activity when considering its balance sheet structure and funding strategies. The bank faces no constraints, however, in providing community development services.

During the evaluation period, CapitalBank originated six community development loans totaling \$2.7 million. Of these loans, three benefit the Midlands assessment area, two benefit the Greenville-Spartanburg-Anderson, SC CSA assessment area, and one benefits the statewide area. Regarding the statewide community development loan, the bank purchased \$24,523 of a \$4.5 million participation loan that was made to a community development corporation that specializes in small business lending and development throughout South Carolina. Details of the specific assessment area community development loans are provided in subject sections of this evaluation.

The bank also maintains a \$637,276 investment in a mortgage-backed security issued by Fannie Mae. The bond facilitates housing specifically for low- and moderate-income residents of the State of South Carolina, and specifically includes, but is not limited to, residents of the bank's local market areas.

Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment areas. The bank provides its customers with 24-hour telephone access to their accounts through an automated system, bank-by-computer services, and automated teller machines. The branch network includes 18 offices, of which one (5.6%) is located in a moderate-income census tract. Branch locations and business hours are considered convenient and meet the needs of the assessment areas. The bank's product mix includes low-cost checking accounts that can benefit area low- and moderate-income residents and small businesses. Additionally, the bank and its employees support several local organizations that provide community development services. Additional details regarding the participation in community development services are included in the applicable assessment area evaluations.

Overall, the bank's community development activities demonstrate an adequate responsiveness to the local communities' needs when considering the institutional capacity and available opportunities within the assessment areas.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

**NONMETROPOLITAN STATEWIDE AREA**

(If some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)

**DESCRIPTION OF THE MIDLANDS ASSESSMENT AREA**

The Midlands assessment area is located in the western portion of South Carolina. According to 2000 census data, the assessment area has a population of 128,546 and a median housing value of \$70,990. The market area owner-occupancy rate of 64.8% is comparable to the rate for nonmetropolitan areas of South Carolina (64.5%) as well as the state (63.2%). The overall family poverty rate of the assessment area (11%) is slightly less than the rate for nonmetropolitan areas of the state (13.8%), but slightly greater than the State of South Carolina (10.7%). The 2008 median family income for the nonmetropolitan areas of the state equals \$46,500.

The local economy is based on a variety of manufacturing and retail facilities, as well as an academic institution. Since October 2007, area unemployment rates have risen sharply for the assessment area and the state. Current and recent periodic unemployment rates are included in the following table:

County/State	Unemployment Rate – October 2007	Unemployment Rate – December 2008	Unemployment Rate – September 2009
Abbeville	7.3%	11.1%	14.8%
Greenwood	6.4%	11.2%	13.7%
Newberry	5.4%	9.3%	11.7%
South Carolina	5.6%	8.8%	11.6%

The bank’s assessment area includes 17 census tracts that are classified as being middle-income areas. According to data published by the FFIEC, 12 of the 17 middle-income census tracts within the assessment area have been designated as being distressed because of high area unemployment rates. High area unemployment rates affect a bank’s ability to extend credit as unemployed applicants often have diminished repayment capacity.

A local community development official was contacted during the evaluation to discuss local economic conditions and area credit needs. The contact indicated that local economic conditions were getting worse but was aware of a local organization that was attempting to form a small business incubator within the assessment area. The contact suggested that, if successful, the incubator would help create new local employment opportunities, which would benefit the local market area. Despite the difficult economic conditions, the contact indicated that local financial institutions are adequately serving the needs of the local market.

The following table contains pertinent demographic data for the assessment area:



**Assessment Area Demographics**

Midlands, SC NonMSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,583	18.8
Moderate	2	8.7	2,930	8.4	742	25.3	5,978	17.1
Middle	17	73.9	24,289	69.4	2,604	10.7	7,710	22.0
Upper	4	17.4	7,798	22.3	492	6.3	14,746	42.1
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>23</b>	<b>100.0</b>	<b>35,017</b>	<b>100.0</b>	<b>3,838</b>	<b>11.0</b>	<b>35,017</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
	#	%	HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	11,973	24.0
Moderate	1,930	5.3	4,558	9.1	1,438	31.5	7,270	14.6
Middle	26,446	72.0	33,852	67.8	4,734	14.0	9,442	18.9
Upper	8,354	22.7	11,554	23.1	1,363	11.8	21,279	42.6
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>36,730</b>	<b>100.0</b>	<b>49,964</b>	<b>100.0</b>	<b>7,535</b>	<b>15.1</b>	<b>49,964</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
	#	%	Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	329	7.7	294	7.7	26	9.4	9	5.6
Middle	2,569	60.2	2,308	60.3	152	55.1	109	67.3
Upper	1,370	32.1	1,228	32.1	98	35.5	44	27.2
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>4,268</b>	<b>100.0</b>	<b>3,830</b>	<b>100.0</b>	<b>276</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				89.7		6.5		3.8

\*NA-Tracts without household or family income as applicable

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

While HMDA loan data from calendar years 2007 and 2008 were analyzed and considered in the evaluation, unless otherwise noted, bank and aggregate data from only 2008 is presented in the following tables. Within this assessment area, the bank reported 231 HMDA loans totaling \$29.3 million during calendar year 2007 and 279 such loans totaling \$32.9 million in 2008. Since the small business loan performance was analyzed via a sample of activity from 2008, the small business loan tables reflect the sampled data from 2008. Based on the distribution of the small business loan sample, it is estimated that the bank originated approximately \$40 million in small business loans during the same time period.

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

The bank’s small business borrower distribution performance is considered excellent, while the HMDA performance is considered reasonable. While it is estimated that the bank extended a larger dollar volume of small business loans than HMDA loans within this assessment area during 2008, the bank’s residential mortgage loan performance is at the lower end of the range of reasonable performance; consequently, the bank’s overall performance is considered reasonable despite the stronger small business loan performance.

**Distribution of Lending by Loan Amount and Size of Business**

Midlands, SC NonMSA (2008)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	80	80.8	11,788	68.9	789	33.3	36,786	47.8
Over \$1 Million	19	19.2	5,327	31.1	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	51	51.5	2,235	13.1	2,221	93.7	22,772	29.6
\$100,001-\$250,000	24	24.2	3,970	23.2	67	2.8	11,164	14.5
\$250,001-\$1 Million	24	24.2	10,910	63.7	83	3.5	43,062	55.9
<b>Total</b>	<b>99</b>	<b>100.0</b>	<b>17,115</b>	<b>100.0</b>	<b>2,371</b>	<b>100.0</b>	<b>76,998</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

According to 2008 aggregate small business data, 33.3% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining portion of businesses either had revenues exceeding \$1 million or revenue data was not determined. D&B data indicated that 89.7% of all local businesses have revenues that do not exceed \$1 million per year. Of the sampled small business loans within this assessment area, 80.8% were extended to businesses with annual revenues of \$1 million or less. Because the aggregate data includes a significant volume of activity by specialized lenders that typically extend loans in very small amounts and do not gather business revenues, data for a peer group of traditional bank reporters was also considered. According to the data for the peer group of traditional small business lenders, 68.8% of small business loans were to businesses having revenues of \$1 million or less. The bank’s performance is excellent when considering area demographic, aggregate, and peer group data as proxies for demand.

**Distribution of HMDA Loans by Income Level of Borrower**

Midlands, SC NonMSA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	<b>(63)</b>				<b>(1,108)</b>			
				<b>Home Purchase</b>				
Low	1	1.6	22	0.2	62	5.6	3,559	2.5
Moderate	7	11.1	552	5.7	208	18.8	15,606	10.8
	<b>(151)</b>				<b>(1,586)</b>			
				<b>Refinance</b>				
Low	14	9.3	528	3.7	88	5.5	4,960	2.3
Moderate	20	13.2	970	6.8	249	15.7	19,530	9.0
	<b>(28)</b>				<b>(175)</b>			
				<b>Home Improvement</b>				
Low	2	7.1	59	3.8	27	15.4	512	5.6
Moderate	6	21.4	268	17.5	38	21.7	1,399	15.4
	<b>(0)</b>				<b>(0)</b>			
				<b>Multi-Family</b>				
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	<b>HMDA Totals</b>							
Low	17	7.0	609	2.4	177	6.2	9,031	2.4
Moderate	33	13.6	1,790	7.0	495	17.3	36,535	9.9
Middle	43	17.8	3,724	14.6	636	22.2	66,858	18.1
Upper	149	61.6	19,372	76.0	1,561	54.4	257,767	69.6
<b>Total</b>	<b>242</b>	<b>100.0</b>	<b>25,495</b>	<b>100.0</b>	<b>2,869</b>	<b>100.0</b>	<b>370,191</b>	<b>100.0</b>
Unknown	37		7,421		435		68,669	

( ) represents the total number of bank loans for the specific Loan Purpose where income is known  
Percentage's (%) are calculated on all loans where incomes are known

When considering the bank’s performance, more weight is placed on their performance associated with refinancing loans than on home purchase and home improvement loans because of the larger volume of such lending within the assessment area. In general, the bank’s home purchase performance is poor as their level of lending to both low- and moderate-income borrowers lags the corresponding aggregate levels. The bank’s refinance performance is considered reasonable as their level of low-income lending exceeds the aggregate level and their moderate-income lending is within a reasonable range of the aggregate level. The bank’s home improvement performance, which was given the least weight, is considered poor for lending to low-income borrowers because the bank’s level of lending is less than half the aggregate level and reasonable for moderate-income lending as the bank’s level approximates the aggregate level.

Overall, 7% of the bank’s HMDA loans were made to low-income borrowers. While this level of lending lags the percentage of such families residing in the assessment area (18.8%), it exceeds the percentage of the 2008 aggregate lending level to such borrowers (6.2%). Additionally, 13.6% of HMDA loans were made to moderate-income borrowers. While this level of lending is lower than aggregate lending to moderate-income borrowers (17.3%) and the percentage of moderate-income families living in the assessment area (17.1%), it is within a reasonable range. The bank’s overall performance is considered reasonable and their performance during 2007 was substantially similar.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

There are no low-income census tracts within the Midlands assessment area. The bank’s small business geographic distribution performance is considered excellent, while the HMDA performance is considered reasonable. The bank’s overall performance is considered reasonable .

**Distribution of Small Business Loans by Income Level of Census Tract**

Midlands, SC NonMSA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	12	12.1	2,430	14.2	193	8.6	4,126	5.4
Middle	41	41.4	6,121	35.8	1,296	57.5	39,033	51.2
Upper	46	46.5	8,564	50.0	763	33.9	33,047	43.4
NA*	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>99</b>	<b>100.0</b>	<b>17,115</b>	<b>100.0</b>	<b>2,252</b>	<b>100.0</b>	<b>76,206</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable; or a small county

CapitalBank’s level of small business lending in moderate-income areas (12.1%) exceeds both the percentage of businesses located in moderate-income census tracts (7.7%) and the aggregate lending level (8.6%). The bank’s performance is considered excellent.

**Distribution of HMDA Loans by Income Level of Census Tract**

Midlands, SC NonMSA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(72)				(1,289)			
	Home Purchase							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	4.2	223	2.1	37	2.9	3,308	2.0
	(174)				(1,814)			
	Refinance							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	6	3.4	210	1.2	69	3.8	5,970	2.4
	(28)				(184)			
	Home Improvement							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	10	5.4	674	6.5
	(5)				(17)			
	Multi-Family							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	20.0	50	1.4	1	5.9	50	0.5
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	10	3.6	483	1.5	117	3.5	10,002	2.3
Middle	177	63.4	17,039	51.8	2,031	61.5	260,005	59.2
Upper	92	33.0	15,394	46.8	1,155	35.0	168,709	38.4
NA*	0	0.0	0	0.0	1	0.0	144	0.0
<b>Total</b>	<b>279</b>	<b>100.0</b>	<b>32,916</b>	<b>100.0</b>	<b>3,304</b>	<b>100.0</b>	<b>438,860</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable; or a small county

( ) represents the total number of bank loans for the specific Loan Purpose

Loans where the geographic location is unknown are excluded from this table.

The bank’s level of home purchase, refinance, and home improvement lending in moderate-income census tracts lags the proportion of owner-occupied housing units located in such areas (5.3%). The bank’s level of lending, however, approximates the aggregate reporter level for refinance loans, exceeds the aggregate reporter level for home purchase loans, and lags the aggregate reporter level for home improvement loans within moderate-income census tracts. Given the larger volume of refinance loans within the assessment area, performance for that product is given more weight when considering the bank’s overall geographic distribution performance. Overall, the bank’s performance is considered reasonable and is substantially similar during 2007.

## **COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

Discussions with an individual knowledgeable of the local market areas and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities within the Midlands assessment area are limited, in part because of the rural nature of some of the communities within the assessment area. As previously indicated, CRA performance context considers not only available opportunities but bank capacity as well. As evidenced by its recent loan-to-deposit ratio (106%), the bank has been an active lender. Given the current loan-to-deposit ratio, the bank's capacity for additional lending, including community development lending, is somewhat constrained. Additionally, the bank faces moderate constraints regarding investment activity when considering its balance sheet structure and funding strategies. The bank faces no constraints, however, in providing community development services.

During the evaluation period, the bank originated three community development loans totaling \$599,652 within this assessment area. Collectively, these three loans provided affordable housing for low- and moderate-income residents and supported the operations of a local nonprofit that provides meals to the children of low- and moderate income families.

A bank officer serves as chairman of the Agnes Rogers Circle of Main Street United Methodist Church. The foundation provides clothing, school supplies, and other necessities for low-income families in Abbeville County.

As previously mentioned, the bank participated in a loan that benefits small business development on a statewide basis and the bank continues to hold a bond issued by Fannie Mae that facilitates affordable housing throughout the statewide area. The bank also offers low-cost checking accounts that can benefit low- and moderate-income residents and small businesses.

The bank demonstrates an adequate level of responsiveness to local community development needs through its participation in community development activities within the assessment area.

**METROPOLITAN AREAS**

(For each metropolitan area where assessment areas were reviewed using full-scope review)

**DESCRIPTION OF THE GREENVILLE-SPARTANBURG-ANDERSON, SC CSA ASSESSMENT AREA**

The Greenville-Spartanburg-Anderson, SC CSA assessment area is located in the western portion of South Carolina and, according to census data from 2000, has a population of 638,895 and a median housing value of \$91,458. The owner-occupancy rate for the assessment area of 63.9% exceeds the owner-occupancy rate for the state at 63.2%. The owner-occupancy rate for the assessment area equals the rate for the Greenville SC MSA; however, it lags the rate for the Anderson, SC MSA at 68.4%. The area’s poverty rate, 8.7%, is lower than that of the Anderson, SC MSA (9.1%) as well as the state (10.7%); however, it is slightly higher than that of the Greenville, SC MSA (8.4%). The 2008 median family income for the Anderson, SC MSA and Greenville, SC MSA equal \$52,400 and \$55,100, respectively.

The assessment area benefits from a variety of employment opportunities, including health services, manufacturing, and retail services. Since October 2007, area unemployment rates have risen sharply for the assessment area and the state. Current and recent periodic unemployment rates are as follows:

County/State	Unemployment Rate – October 2007	Unemployment Rate – December 2008	Unemployment Rate – September 2009
Anderson	5.6%	9.6%	12.5%
Greenville	4.7%	7.5%	10.2%
Laurens	7.1%	9.5%	11.7%
Pickens	5.1%	8.0%	10.6%
South Carolina	5.6%	8.8%	11.6%

A local community development official was contacted during the evaluation to discuss local economic conditions and area credit needs. The contact noted the deterioration in the local economy and indicated that increasing unemployment rates are of concern. The contact also stated that several industrial sites were available for occupancy in Anderson County and that ReadySC, a program offered by the South Carolina Department of Commerce, can provide workforce training within the assessment area. The contact indicated that local financial institutions are adequately serving the needs of the local market.

The following table provides pertinent demographic data for the assessment area:

**Assessment Area Demographics**

Greenville-Spartanburg-Anderson, SC CSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	5	3.6	2,559	1.5	764	29.9	34,038	19.7
Moderate	36	25.7	34,801	20.2	5,708	16.4	30,505	17.7
Middle	68	48.6	90,455	52.4	7,023	7.8	37,277	21.6
Upper	30	21.4	44,778	25.9	1,445	3.2	70,773	41.0
NA	1	0.7	0	0.0	0	0.0		
<b>Total</b>	<b>140</b>	<b>100.0</b>	<b>172,593</b>	<b>100.0</b>	<b>14,940</b>	<b>8.7</b>	<b>172,593</b>	<b>100.0</b>
Households								
	Owner Occupied Units by Tract		HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	1,653	0.9	4,179	1.7	1,383	33.1	57,804	23.2
Moderate	31,287	17.8	55,070	22.1	11,653	21.2	40,743	16.3
Middle	95,200	54.2	129,642	51.9	14,360	11.1	47,640	19.1
Upper	47,632	27.1	60,717	24.3	2,925	4.8	103,447	41.4
NA	0	0.0	26	0.0	26	100.0		
<b>Total</b>	<b>175,772</b>	<b>100.0</b>	<b>249,634</b>	<b>100.0</b>	<b>30,347</b>	<b>12.2</b>	<b>249,634</b>	<b>100.0</b>
Businesses by Tract and Revenue Size								
	Total Businesses by Tract		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	817	2.9	664	2.7	125	5.5	28	3.4
Moderate	5,347	19.0	4,742	18.9	438	19.4	167	20.6
Middle	13,567	48.3	12,113	48.4	1,031	45.7	423	52.1
Upper	8,227	29.3	7,385	29.5	659	29.2	183	22.5
NA	153	0.5	137	0.5	5	0.2	11	1.4
<b>Total</b>	<b>28,111</b>	<b>100.0</b>	<b>25,041</b>	<b>100.0</b>	<b>2,258</b>	<b>100.0</b>	<b>812</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				89.1		8.0		2.9

\*NA-Tracts without household or family income as applicable

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

While HMDA loan data from calendar years 2007 and 2008 were analyzed and considered in the evaluation, unless otherwise noted, bank and aggregate data from only 2008 is presented in the following tables. Within this assessment area during 2007, the bank reported originating 205 HMDA loans totaling \$34.7 million and 159 such loans totaling \$34.5 million during 2008. As previously noted, the small business performance was determined by an analysis of a sample of such loans originated during 2008. Based on the distribution of the small business loan sample, it is estimated that the bank originated approximately \$16 million in small business loans during the same period within this assessment area.

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

Overall, the bank’s distribution by borrower income level and business revenue is considered reasonable given area demographic and aggregate data. In reaching this conclusion, more weight was placed on the bank’s HMDA performance because the bank extended a larger dollar volume of residential mortgage loans than small business loans during the evaluation period.

**Distribution of HMDA Loans by Income Level of Borrower**

Greenville-Spartanburg-Anderson, SC CSA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(75)				(11,407)			
Low	2	2.7	119	0.9	749	6.6	60,237	3.3
Moderate	13	17.3	1,413	10.6	2,486	21.8	270,420	14.9
	(50)				(10,750)			
Low	2	4.0	171	3.1	642	6.0	48,075	2.8
Moderate	9	18.0	602	11.0	1,850	17.2	190,421	11.2
	(9)				(847)			
Low	0	0.0	0	0.0	89	10.5	2,147	3.9
Moderate	1	11.1	43	5.1	147	17.4	5,934	10.9
	(0)				(0)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	<b>HMDA Totals</b>							
Low	4	3.0	290	1.5	1,480	6.4	110,459	3.1
Moderate	23	17.2	2,058	10.5	4,483	19.5	466,775	13.1
Middle	39	29.1	4,962	25.3	5,712	24.8	745,435	20.9
Upper	68	50.7	12,337	62.8	11,329	49.2	2,246,979	62.9
<b>Total</b>	<b>134</b>	<b>100.0</b>	<b>19,647</b>	<b>100.0</b>	<b>23,004</b>	<b>100.0</b>	<b>3,569,648</b>	<b>100.0</b>
Unknown	25		14,811		2,825		597,095	

( ) represents the total number of bank loans for the specific Loan Purpose where income is known

Percentage's (%) are calculated on all loans where incomes are known

When considering the bank’s performance, more weight is placed on their performance associated with home purchase loans than on refinance and home improvement loans because of the larger volume of such lending within the assessment area. In general, the bank’s home purchase performance is poor for low-income borrowers and is considered within a reasonable performance range for moderate-income borrowers as compared to the aggregate level. The bank’s refinance performance is considered reasonable as their level of low- and moderate-income borrower lending is within a reasonable range of the aggregate level. The bank’s home improvement performance, which was given the least weight, is considered poor for lending to low- and moderate-income borrowers because it significantly lags the aggregate levels.

Overall, 3% of the bank’s HMDA loans were made to low-income borrowers and this level of lending is considered poor as it is less than half the 2008 aggregate lending level (6.4%) and lags the percentage of such families residing in the assessment area (19.7%). However, 17.2% of HMDA loans were made to moderate-income borrowers, and this level of performance approximates the percentage of area moderate-income families (17.7%) and is within a reasonable range of the aggregate level of lending (19.5%). The bank’s overall performance is considered marginally reasonable and their performance during 2007 was substantially similar.



**Distribution of Lending by Loan Amount and Size of Business**

Greenville-Spartanburg-Anderson, SC CSA (2008)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	31	83.8	5,926	85.5	6,475	31.8	367,873	44.0
Over \$1 Million	6	16.2	1,006	14.5	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	17	45.9	900	13.0	18,664	91.7	232,482	27.8
\$100,001-\$250,000	13	35.1	2,225	32.1	822	4.0	143,938	17.2
\$250,001-\$1 Million	7	18.9	3,807	54.9	872	4.3	460,561	55.0
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>6,932</b>	<b>100.0</b>	<b>20,358</b>	<b>100.0</b>	<b>836,981</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

Within the assessment area, 83.8% of the bank’s loans were made to businesses with revenues of \$1 million or less. Based on recent D&B data, 89.1% of businesses within the assessment area have annual revenues of \$1 million or less. Aggregate small business data indicate that 31.8% of reported small business loans in 2008 were to businesses having revenues of \$1 million or less. The remaining portion of businesses had revenues exceeding \$1 million or revenue data was not available. According to data for the peer group of traditional small business lenders, 61.5% of small business loans were to businesses having revenues of \$1 million or less. The bank’s performance is excellent when considering area demographic, aggregate, and peer group data as proxies for demand.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Within this assessment area, the bank’s HMDA geographic distribution performance is considered reasonable, while the small business performance is poor. The bank’s overall performance is considered reasonable. In reaching this conclusion, more weight was placed on the bank’s HMDA performance than on its small business lending performance because of the larger dollar volume of such lending within the assessment area.

**Distribution of HMDA Loans by Income Level of Census Tract**

Greenville-Spartanburg-Anderson, SC CSA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(85)				(12,540)			
Low	0	0.0	0	0.0	95	0.8	14,386	0.7
Moderate	8	9.4	1,030	7.1	1,572	12.5	170,346	8.6
	(61)				(12,343)			
Low	0	0.0	0	0.0	82	0.7	10,743	0.5
Moderate	10	16.4	1,367	17.6	1,382	11.2	142,417	7.2
	(10)				(891)			
Low	0	0.0	0	0.0	4	0.4	183	0.3
Moderate	1	10.0	75	8.7	118	13.2	5,397	8.9
	(3)				(55)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	33.3	5,440	48.4	14	25.5	16,630	10.8
	<b>HMDA Totals</b>							
Low	0	0.0	0	0.0	181	0.7	25,312	0.6
Moderate	20	12.6	7,912	23.0	3,086	11.9	334,790	8.0
Middle	115	72.3	17,330	50.3	12,498	48.4	1,810,548	43.5
Upper	23	14.5	3,951	11.5	10,053	38.9	1,988,351	47.7
NA*	1	0.6	5,265	15.3	11	0.0	7,742	0.2
<b>Total</b>	<b>159</b>	<b>100.0</b>	<b>34,458</b>	<b>100.0</b>	<b>25,829</b>	<b>100.0</b>	<b>4,166,743</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable; or a small county

( ) represents the total number of bank loans for the specific Loan Purpose

Loans where the geographic location is unknown are excluded from this table.

CapitalBank did not originate any HMDA loans in the five low-income census tracts within this assessment area and the aggregate lenders reported less than 1% of their loans in the low-income census tracts. Additionally, only .9% of area owner-occupied housing units are located in the low-income census tracts, which suggests that there is only limited loan demand from such areas. Home purchase and home improvement lending by the bank each lag the corresponding aggregate level within moderate income census tracts, while refinance and multi-family lending exceed the aggregate lending levels in moderate-income areas.

Overall, the bank’s level of lending in moderate-income areas (12.6%) is less than the proportion of owner-occupied housing units (17.8%) located in such areas but slightly higher than the aggregate level of lending (11.9%) in such areas. The bank’s overall performance is considered reasonable.

**Distribution of Small Business Loans by Income Level of Census Tract**

Greenville-Spartanburg-Anderson, SC CSA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	0	0.0	0	0.0	591	2.9	37,371	4.5
Moderate	4	10.8	377	5.4	2,817	14.0	117,105	14.0
Middle	23	62.2	4,174	60.2	9,357	46.4	370,636	44.4
Upper	10	27.0	2,381	34.4	7,319	36.3	307,931	36.9
NA*	0	0.0	0	0.0	68	0.3	2,172	0.3
<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>6,932</b>	<b>100.0</b>	<b>20,152</b>	<b>100.0</b>	<b>835,215</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable; or a small county

During 2008, CapitalBank did not originate any of the sampled small business loans in the five low-income census tracts. While the number of businesses located within low-income census tracts (2.9%) along with 2008 aggregate lending (2.9%) suggests limited lending opportunities in such areas, the bank's lack of lending in these tracts is considered poor. CapitalBank's level of lending in moderate-income tracts (10.8%) lags both 2008 aggregate lending (14%) and the number of businesses located within moderate-income census tracts (19%) but is considered marginally reasonably. The bank's overall geographic distribution performance for small business lending is considered poor.

### **COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

Discussions with an individual knowledgeable of the local market areas and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities within the Greenville-Spartanburg-Anderson, SC CSA assessment area are reasonably available. As previously indicated, CRA performance context considers not only available opportunities but bank capacity as well. As evidenced by its recent loan-to-deposit ratio (106%), the bank has been an active lender. Given the current loan-to-deposit ratio, the bank's capacity for additional lending, including community development lending, is somewhat constrained. Additionally, the bank faces moderate constraints regarding investment activity when considering its balance sheet structure and funding strategies. The bank faces no constraints, however, in providing community development services.

During the evaluation period, the bank originated two community development loans totaling \$2.1 million within this assessment area. Both loans were extended to a local non-profit organization to provide affordable housing for low- and moderate-income residents.

A bank officer serves as president of Foothills Sertoma Club, which sponsors various community service projects and other benefits targeted to low- and moderate-income residents of the assessment area. Another bank officer serves as the treasurer for the Anderson Community Development Organization, a local non-profit organization that promotes economic development and job creation within Anderson County, South Carolina.

As previously mentioned, the bank participated in a loan that benefits small business development on a statewide basis and the bank continues to hold a bond issued by Fannie Mae that facilitates affordable housing throughout the statewide area. The bank also offers low-cost checking accounts that can benefit low- and moderate-income residents and small businesses.

The bank demonstrates an adequate level of responsiveness to local community development needs through its participation in community development activities within the assessment area.

**METROPOLITAN AREA**

*(For each metropolitan area where no assessment areas were reviewed using the examination procedures)*

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE COLUMBIA, SC MSA ASSESSMENT AREA**

The Columbia, SC MSA assessment area was reviewed using the limited-review examination procedures. Information detailing the composition of the assessment area is included in the **DESCRIPTION OF INSTITUTION** section of this report.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE COLUMBIA, SC MSA ASSESSMENT AREA**

The following table indicates for each test whether performance in an assessment area was generally below, consistent with, or exceeded performance of CapitalBank overall. Facts and data reviewed, including performance and demographic information, can be found in **APPENDIX C** of this report. Conclusions regarding performance, which did not impact the overall rating, are as follows:

Assessment Area	Lending Test	Community Development Test
Columbia MSA	Consistent	Consistent

**APPENDIX A: SCOPE OF EXAMINATION**

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>		
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>
Midlands	Full Scope	109 Montague Avenue Greenwood, SC
Greenville-Spartanburg-Anderson, SC CSA	Full Scope	2720 Highway 14 Greer, SC
Columbia, SC MSA	Limited Scope	None

**APPENDIX B: LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA**

The following table includes the distribution of the bank’s offices, along with deposit and loan volume by assessment area. The deposit volume includes all bank deposits and is current as of June 30, 2009, while the loan volume includes all the HMDA and sampled small business loans considered in the evaluation.

Assessment Area	Loan Volume				Full-Service Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Midlands	609	58.4%	\$79,321	50.4%	8	44.4%	\$315,264	55.3%
Greenville-Spartanburg-Anderson, SC CSA	401	38.4%	\$76,111	48.3%	9	50%	\$218,393	38.3%
Columbia, SC MSA	33	3.2%	\$2,120	1.3%	1	5.6%	\$36,384	6.4%
Total	1043	100%	\$157,552	100%	18	100%	\$570,041	100%

**APPENDIX C: LIMITED REVIEW TABLES**

**COLUMBIA, SC MSA ASSESSMENT AREA**

This assessment area includes all of Saluda County, South Carolina, which is a portion of the Columbia, SC MSA. The assessment area includes one moderate- and three middle-income census tracts; there are no low- or upper-income census tracts in the assessment area. The following table presents bank, aggregate, and demographic data.

**Limited Review Lending Table**

Columbia, SC MA (2008)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	<b>Home Purchase</b>				<b>Home Improvement</b>			
<i>Geographic</i>	(2)				(2)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	100.0	37.8	39.6	1	50.0	25.0	39.6
<i>Borrower</i>	(2)				(2)			
Low	1	50.0	8.6	25.6	0	0.0	5.3	25.6
Moderate	0	0.0	27.2	21.1	0	0.0	26.3	21.1
	<b>Refinance</b>				<b>Multi-Family</b>			
<i>Geographic</i>	(13)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	10	76.9	36.1	39.6	0	0.0	0.0	39.6
<i>Borrower</i>	(13)				(0)			
Low	4	30.8	13.0	25.6	0	0.0	0.0	25.6
Moderate	4	30.8	24.0	21.1	0	0.0	0.0	21.1
	<b>HMDA Total</b>				<b>Consumer</b>			
<i>Geographic</i>	(17)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	13	76.5	35.9	39.6	NA	NA	NA	42.4
<i>Borrower</i>	(17)				(NA)			
Low	5	29.4	11.0	25.6	NA	NA	NA	28.2
Moderate	4	23.5	25.2	21.1	NA	NA	NA	17.3
	<b>Small Business</b>				<b>Small Farm</b>			
<i>Geographic</i>	(4)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	75.0	41.8	56.7	0	0.0	22.7	43.1
<i>Revenue</i>	(4)				(0)			
Busn/ Farms with revenues <=\$1 M	3	75.0	35.7	91.5	0	0.0	72.7	90.2

*Geographic ( ) represents the total number of bank loans for the specific Loan Purpose*

*Borrower ( ) represents the total number of bank loans for the specific Loan Purpose where income is known*

As indicated in the preceding chart, the bank’s borrower distribution performance varies substantially by product but is considered reasonable overall, while the geographic distribution performance is considered excellent. Overall the bank’s lending performance within this assessment area is considered satisfactory which is consistent with the overall lending test for the institution

**COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

The bank’s community development test performance is considered reasonable within this assessment area, which is consistent with the institution’s overall performance. As previously mentioned, the bank participated in a loan that benefits small business development on a statewide basis and the bank continues to hold a bond issued by Fannie Mae that facilitates affordable housing throughout the statewide area. The bank also offers low-cost checking accounts that can benefit low- and moderate-income residents and small businesses. The bank’s performance is considered adequate.

## APPENDIX D: GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.



**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.