

PUBLIC DISCLOSURE

August 10, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank & Trust
2518705
287 Main Street
Barnwell, South Carolina 29812

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Community Bank & Trust, Barnwell, South Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of August 10, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank's loan-to-deposit ratio is considered reasonable given its present financial capacity and demand for credit in the area. A majority of loans analyzed were to residents of the bank's assessment area. The institution's level of lending to low- and moderate-income borrowers is considered responsive in meeting local credit needs. While there are no low-income areas located within the assessment area, the distribution of loans among moderate-, middle-, and upper-income geographies is considered reasonable. The bank has not received any complaints regarding its CRA performance.

DESCRIPTION OF INSTITUTION

Community Bank & Trust began operations in February 1997 and became a state-chartered member of the Federal Reserve System on August 17, 1998. The bank operates five offices throughout Barnwell, Aiken and Orangeburg Counties, South Carolina. As of June 30, 1999, the bank had total assets of approximately \$73 million, of which 47% were loans and 41% were securities. The institution is a full service bank offering a variety of loan and deposit products and services, including loans for business, consumer, and real estate purposes. The loan portfolio as of June 30, 1999, was comprised of the following: 52% real estate secured (consumer and business), 18% commercial/agricultural, 29% consumer and 1% other. During the period between June 1998 and June 1999, the bank originated 1,779 loans of which 84% were for consumer purposes, 11% were commercial/agricultural, and 5% were real estate secured. Based on the number of loans extended during this 12-month period, consumer and residential real estate loans were identified as the primary credit products offered by the bank. Community Bank & Trust has not been previously evaluated under the Community Reinvestment Act.

DESCRIPTION OF THE ASSESSMENT AREA

The institution's assessment area encompasses Barnwell County and small contiguous portions of Aiken and Orangeburg Counties, South Carolina. The portion of Aiken County included in the assessment area is census tract 218.00 and is located within the Augusta – Aiken Metropolitan Statistical Area (MSA), while the portion of Orangeburg County includes census tract 118.00. The assessment area contains nine census tracts and block numbering area (BNAs). Of these areas, two are considered low-income, two are moderate-income, four are middle-income, and one is upper-income. None of the low-income BNAs are populated. According to 1990 census data, the assessment area has a population of 27,534 and a median housing value of \$43,117. The owner-occupancy rate for the area is 68% and is slightly higher than the nonmetropolitan rate of 65% and the state rate of 62%. The 1998 median family income for nonmetropolitan areas of South Carolina is \$35,900. Furthermore, 18% of families in the assessment area are below the poverty level.

The following table provides demographic information for the assessment area by the income level of families and the percentage of population living in tracts/BNAs of varying income levels. The percentage of owner-occupied units within the various geographies is also provided.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	26%	15%	17%	42%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level	0%	25%	56%	19%	100%

Percentage of Owner-occupied Units by Income Level of Census Tract/BNA	N/A	24%	57%	19%	100%
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The assessment area is located in the south-central part of South Carolina and is approximately 40 miles east of Augusta, Georgia. Although the area is primarily rural, it has a fairly diverse local economy with several light manufacturing companies providing employment. Major employers include manufacturers of aluminum window frames, gas grills, beverage vending machines, and a metals preparation facility. Other employers include retail trade, financial institutions, and a nuclear waste facility. As of June 1999, unemployment rates for Aiken, Barnwell, and Orangeburg Counties were 4.8%, 7.8%, and 9.3%, respectively. The jobless rate for the State of South Carolina was 3.9%.

A local economic development official was contacted to further assist in evaluating the bank's CRA performance. The contact indicated that area financial institutions were very much involved in efforts to improve the local economy and was unaware of any additional credit products that would benefit local residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The quarterly average loan-to-deposit ratio for banks headquartered in nonmetro-politan areas of South Carolina and of similar asset size to Community Bank & Trust ranged from 66% to 74% for a seven-quarter period ending June 30, 1999. The institution's average loan-to-deposit ratio for the same seven-quarter period is 55%. Since, March 31, 1998, the bank's total loans and deposits have decreased by 8%, respectively. However, there are no other financial institution's headquartered in Barnwell County for comparison purposes. The bank's average loan-to-deposit ratio, while somewhat lower than similar situated institutions, is considered reasonable given the institution's financial capacity, size and current local economic conditions.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 182 consumer and residential real estate loans extended during the previous 12 months was reviewed. This sample consisted of 60 residential real estate loans as required to be reported by the Home Mortgage Disclosure Act for 1998 and 1999 and 122 unsecured consumer loans. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Areas

	Inside Assessment Areas	Outside Assessment Areas	Total
Total Number of Loans	138	44	182
Percentage of Total Loans	76%	24%	100%

	Inside Assessment Areas	Outside Assessment Areas	Total
Total Amount of Loans (000's)	\$2,502	\$390	\$2,892
Percentage of Total Amount	87%	13%	100%

As illustrated above, a majority of the loans (76%) were provided to residents of the assessment area. This level of lending within the local community is considered reasonable.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following charts illustrate the distribution of the 48 real estate loans and the 90 unsecured consumer loans extended within the assessment area by income level of the borrower.

Distribution of Residential Real Estate Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	5	9	14	20	48
Percentage of Total Loans	10%	19%	29%	42%	100%
Total Amount of Loans (000's)	\$77	\$321	\$477	\$1,349	\$2,224
Percentage of Total Amount	3%	14%	21%	62%	100%

Of the sampled real estate loans, 29% were extended to low- and moderate-income borrowers. The lending to moderate-income borrowers (19%) exceeds the proportion of moderate-income families in the assessment area (15%). However, the bank's lending to low-income borrowers (10%) is much lower than the percentage of such families in the community (26%). Based on the assessment area's high percentage of families below the poverty level (18%) along with affordable rental housing (median gross rent of \$265), the effective demand for residential mortgage loans by many low-income residents may be limited.

Distribution of Unsecured Consumer Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	38	19	18	15	90
Percentage of Total Loans	42%	21%	20%	17%	100%
Total Amount of Loans (000's)	\$79	\$70	\$54	\$75	\$278

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Total Amount	28%	26%	19%	27%	100%

As illustrated above, 63% of the sampled consumer loans were made to low- and moderate-income borrowers. This level of lending is substantially higher than the proportion of such families (41%) residing in the community.

Overall, the institution's lending to borrowers of different incomes is considered reasonable when using area demographics as a proxy for demand.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the loan files also included an analysis of lending among the various geographies within the assessment area. The following tables illustrate the geographic distribution of residential real estate and unsecured consumer loans extended within the assessment area. As previously mentioned, there are no populated low-income areas in the community.

Distribution of Residential Real Estate Loans in Assessment Area by Income Level of Census Tract/BNA

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	11	33	4	48
Percentage of Total Loans	23%	69%	8%	100%
Total Amount of Loans (000's)	\$585	\$1,407	\$232	\$2,224
Percentage of Total Amount	27%	63%	10%	100%

Distribution of Unsecured Consumer Loans in Assessment Area by Income Level of Census Tract/BNA

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	30	51	9	90
Percentage of Total Loans	33%	57%	10%	100%
Total Amount of Loans (000's)	\$83	\$163	\$32	\$278
Percentage of Total Amount	30%	59%	11%	100%

Overall, 30% (41/138) of the sampled loans extended in the assessment area were to residents residing in moderate-income census tracts/BNAs. Specifically, 23% and 33% of the real estate and consumer loans were extended in moderate-income geographies, respectively. When compared to

assessment area population (25%) and owner-occupied units (24%) in such areas, this level of lending is considered reasonable. Also, 27% of the total dollar amounts were to individuals in moderate-income areas.

The bank's geographic distribution of lending in the assessment area is considered responsive to community credit needs when compared to various proxies for demand.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.