PUBLIC DISCLOSURE

July 7, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Newberry County
2536352
P. O. Box 378
Newberry, South Carolina 29108

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.

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 The Bank of Newberry County, Newberry, South Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of July 7, 1998. 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 appropriate given its financial capacity, location and economic conditions. A substantial majority of loans sampled during the examination were provided to residents of the assessment area. The institution's lending to low- and moderate-income borrowers is considered reasonable compared to the proportion of such families residing in the assessment area. Furthermore, lending within geographies of different income levels appears reasonable.

DESCRIPTION OF INSTITUTION

The Bank of Newberry County operates one full-service office within Newberry County, South Carolina. The institution opened in September 1997 and as of March 31, 1998, had total assets of $20 million, of which 41% were loans. Various credit and deposit products are available through the institution including loans for consumer, residential mortgage, home improvement, business, and agriculture. The loan portfolio as of March 31, 1998 was comprised of the following: 67% real estate secured (consumer and business), 10% consumer, 22% commercial, and 1% other. Based on the number of loans extended during the previous ten months, consumer (secured and unsecured) and business purpose loans were identified as the principle credit products offered by the bank.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area is Newberry County, South Carolina. Newberry County is located approximately 20 miles northwest of the City of Columbia in central South Carolina. According to 1990 census data, the county has a population of 33,172 and is comprised of six block numbering areas (BNAs). Of these geographies, four are considered middle-income and two are considered upper-income. There are no low- or moderate-income BNAs within the assessment area. The 1997 median family income for nonmetropolitan areas of South Carolina is $34,700.

The following table provides assessment area demographics by income level of families.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families By Income Level	19%	17%	23%	41%	100%

The assessment area is primarily rural and relies heavily on the timber and paper industries. Major local employers include: Georgia Pacific (paper), FG Wilson (generators), Lewis Rich (turkey processing) and True Cast (turbine engines). As of May 1998, the unemployment rate in Newberry County was 5% which is slightly higher than the state jobless rate of 3.4%.

A representative from a local trade association was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that the county was experiencing commercial and industrial growth, and local banks were meeting the needs of area residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

For a three-quarter period ending March 31, 1998, the quarterly average loan-to-deposit ratio for institutions headquartered in nonmetropolitan areas of South Carolina and of similar asset size to The Bank of Newberry County ranged from 58% to 61%. The bank's average loan-to-deposit ratio for the previous three quarters is 39%.

The bank's loan-to-deposit ratio as of June 30, 1998 is 60%. Since September 30, 1997, the bank's loans and deposits have increased substantially (170% and 55%, respectively), and management expects these trends to continue. Given these upward trends and current local economic conditions, this level of lending is considered reasonable.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of all consumer (81) and business (20) loans extended since the bank's inception was analyzed. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	88	13	101
Percentage of Total Loans	87%	13%	100%
Total Amount of Loans(000's)	$2,414	$237	$2,651
Percentage of Total Amount	91%	9%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart illustrates the distribution of the 73 consumer loans extended within the assessment area by income level of the borrower.

Distribution of Loans by Income Level of Borrower
Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	13	18	15	27	73

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Total Loans	18%	25%	21%	36%	100%
Total Amount of Loans (000s)	$49	$145	$264	$756	$1,214
Percentage of Total Loans	4%	12%	22%	62%	100%

The percentage of the sampled consumer loans extended to low- and moderate-income borrowers (43%) exceeds the proportion of such families within Newberry County (19% low-income and 17% moderate-income).

The table below depicts the distribution of the 15 commercial loans extended within the assessment area by size of business.

<u>Distribution of Loans By Size of Business</u>

	Revenues ≤ $1 Million	Revenues > $1 Million	Total
Total Number of Loans	12	3	15
Percentage of Total Loans	80%	20%	100%
Total Amount of loans(000's)	$920	$280	$1,200
Percentage of Total Amount	77%	23%	100%

The percentage of credit extensions to businesses with gross annual revenues of $1 million or less (80%) demonstrates the institution's willingness to meet the credit needs of area small businesses.

The distribution of loans to borrowers of different incomes and to businesses of different sizes within the assessment area is considered responsive to local credit needs.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various geographies within the assessment area. As mentioned previously, the bank's assessment area is comprised of four middle-income and two upper-income BNAs. There are no low- or moderate-income geographies within the assessment area.

The analysis indicated that of the 73 consumer loans extended within the assessment area, 44 (60%) were made in middle-income BNAs and 29 (40%) were in upper-income BNAs. Ten (67%) of the commercial loans were extended in middle-income BNAs and five (33%) were made in upper-income areas. With 74% of the area population residing in middle-income BNAs, the bank's consumer and commercial lending is reflective of area demographics.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.