

PUBLIC DISCLOSURE

March 20, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Johnsonville State Bank

353023

127 South Georgetown Highway

Johnsonville, South Carolina 29555

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 major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable given the bank's size and financial capacity.
- A majority of loans sampled were originated within the assessment area.
- Lending to borrowers of different income levels is considered excellent using various proxies for demand.
- The provision of loans to borrowers located in the assessment area's four moderate-income geographies is considered poor given area demographics.
- The bank has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Based on loan volume from June 1, 2005, through December 31, 2005, motor vehicle and consumer unsecured loans were identified as primary credit products extended by the bank. Accordingly, these product lines were considered in the evaluation. For the analysis, a sample of 44 motor vehicle and 50 consumer unsecured loans was selected from approximately 220 motor vehicle and 390 consumer unsecured loans within the bank's portfolio.

DESCRIPTION OF INSTITUTION

Johnsonville State Bank (JSB) operates one branch office in Florence County, South Carolina. Florence County is part of the Florence, South Carolina Metropolitan Statistical Area (MSA). The bank has not opened or closed any branches since the previous evaluation dated March 18, 2002. Customers must access their accounts through the branch, as the bank does not have an automated teller machine or a website offering online services.

As of December 31, 2005, JSB reported assets totaling approximately \$22.3 million, of which 51.4% were loans. The bank offers basic deposit and credit products including loans for consumer, commercial, and real estate purposes. The loan portfolio, as of December 31, 2005, was comprised of 30.4% one- to four-family real estate secured, 5.4% commercial real estate and farm, 4.3% commercial and agricultural, 51.3% consumer, and 8.6% other. The institution's previous CRA rating was Satisfactory.

Description of Assessment Area

JSB serves one assessment area which consists of portions of Florence, Georgetown, Marion, and Williamsburg Counties. As mentioned previously, Florence County is located within a metropolitan assessment area while Georgetown, Marion, and Williamsburg Counties are located in nonmetropolitan areas. Specifically, the bank's assessment area is comprised of the following census tracts within the individual counties:

<u>Florence</u>	<u>Georgetown</u>	<u>Marion</u>	<u>Williamsburg</u>
16.02	9801.00*	9507.00	9702.00*
17.00		9508.00*	9703.00
18.00			9704.00
19.00			
20.00			
22.01			
22.02			

* These census tracts have been designated as distressed nonmetropolitan middle-income geographies as defined by the Federal Financial Institutions Examination Council in November 2005. High poverty rates, high unemployment rates and/or significant net population loss are the criteria for being labeled as a distressed geography.

Four moderate-income and nine middle-income tracts comprise the assessment area; the market contains no low- or upper-income tracts. According to the 2000 census data, the assessment area has a population of 49,934 and a median housing value of \$51,961. The owner-occupancy rate for the market is 71.2%, which is higher than both the rates for the state and the MSA of 63.2% and 67.2%, respectively. Within the assessment area, 17.2% of families are considered below the poverty level. This level is higher than both the state (10.7%) and the MSA (14.5%). The 2005 median family income for the market is \$47,500.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units by income level of census tract, as well as Dun and Bradstreet (D&B) business demographic information.

Johnsonville State Bank ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	3,628	26.7
Moderate	4	30.8	4,495	33.1	990	22.0	2,381	17.5
Middle	9	69.2	9,087	66.9	1,347	14.8	2,985	22.0
Upper	0	0.0	0	0.0	0	0.0	4,588	33.8
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	13	100.0	13,582	100.0	2,337	17.2	13,582	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low	0	0	0.0	0	0.0	0	0.0	
Moderate	7,021	4,708	32.5	67.1	1,450	20.7	863	12.3
Middle	13,352	9,793	67.5	73.3	2,142	16.0	1,417	10.6
Upper	0	0	0.0	0.0	0	0.0	0	0.0
NA	0	0	0.0	0.0	0	0.0	0	0.0
Total	20,373	14,501	100.0	71.2	3,592	17.6	2,280	11.2
	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	
Moderate	468	409	37.3	38	43.2	21	37.5	
Middle	773	688	62.7	50	56.8	35	62.5	
Upper	0	0	0.0	0	0.0	0	0.0	
NA	0	0	0.0	0	0.0	0	0.0	
Total	1,241	1,097	100.0	88	100.0	56	100.0	
Percentage of Total Businesses:			88.4		7.1		4.5	
	Total Farms by Tract	Farms 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	
Moderate	22	22	17.6	0	0.0	0	0.0	
Middle	107	103	82.4	4	100.0	0	0.0	
Upper	0	0	0.0	0	0.0	0	0.0	
NA	0	0	0.0	0	0.0	0	0.0	
Total	129	125	100.0	4	100.0	0	0.0	
Percentage of Total Farms:			96.9		3.1		0.0	

Sources: 2000 Census Data, most recent Dun & Bradstreet business demographic data.
 NA Tracts are tracts without household or family income.

The assessment area for JSB is located in the northeast portion of South Carolina. The manufacturing industry provides a large majority of employment opportunities in this area, as do the educational, health, and social services industries. As of February 2006, the unemployment rates for each of the counties within the assessment area are as follows: Florence County - 9%, Georgetown County - 8.9%, Marion County - 13.3%, and Williamsburg County - 11.5%. Marion County and Williamsburg County are ranked first and sixth, respectively, for unemployment within South Carolina. The unemployment rate within all four counties exceeds that of the state and the MSA at 6.4% and 8.6%, respectively.

A local government official was contacted to further assist in evaluating the bank's CRA performance. The individual indicated that local financial institutions appear to adequately serve the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-To-Deposit Ratio

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. As of December 31, 2005, the bank's loan-to-deposit ratio equaled 60.9% and averaged 57.5% for the 16-quarter period also ending December 31, 2005. In comparison, the average of quarterly loan-to-deposit ratios for all banks headquartered in metropolitan areas of South Carolina and of similar asset size to JSB ranged from 55.9% to 74.3% for the same time period. During the 16-quarter period ending December 31, 2005, bank assets, loans, and deposits have increased by 10.5%, 20.9%, and 10.1%, respectively. The bank's loan-to-deposit ratio is considered reasonable given the institution's size, branch location, and financial capacity.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, a sample of 44 motor vehicle and 50 consumer unsecured loans was reviewed for a total of 94 loans. The 94 loans represent a majority of the motor vehicle and consumer unsecured loans extended from June 1, 2005, through December 31, 2005. 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	74	20	94
Percentage of Total Loans	78.7%	21.3%	100%
Total Amount of Loans (000's)	\$538	\$197	\$735
Percentage of Total Amount	73.2%	26.8%	100%

As indicated in the table, a majority of the number (78.7%) and dollar amount (73.2%) of loans were provided to borrowers located in the bank's assessment area. Overall, JSB's level of lending within its assessment area is considered responsive to community credit needs.

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

To evaluate the level of lending to borrowers of varying income levels, the 31 motor vehicle and 43 consumer unsecured loans from within the assessment area were analyzed. Area demographic data are used as proxies for demand.

Distribution of Motor Vehicle Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	10	9	7	5	31
Percentage of Total Loans	32.3%	29%	22.6%	16.1%	100%
Total Amount of Loans (000's)	\$87	\$94	\$139	\$90	\$410
Percentage of Total Amount	21.2%	22.9%	33.9%	22%	100%

As indicated in the preceding table, 32.3% and 29% of the sampled motor vehicle loans were extended to low- and moderate-income borrowers, respectively. This level of lending exceeds the percentage of low- and moderate-income families (26.7% and 17.5%, respectively) within the assessment area. Overall, the level of lending to low- and moderate-income borrowers is considered excellent.

Distribution of Consumer Unsecured Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	9	12	9	13	43
Percentage of Total Loans	20.9%	27.9%	20.9%	30.3%	100%
Total Amount of Loans (000's)	\$15	\$37	\$20	\$57	\$129
Percentage of Total Amount	11.6%	28.7%	15.5%	44.2%	100%

As illustrated above, 20.9% of the consumer unsecured loans were extended to low-income borrowers. This level of lending lags the percentage of low-income families (26.7%) within the assessment area. The bank's level of lending to moderate-income borrowers (27.9%) exceeds the percentage of moderate-income families (17.5%). This level of lending is considered reasonable.

Overall, the bank's level of lending to low- and moderate-income borrowers is considered excellent.

Geographic Distribution of Loans

The geographic distribution of loans in the assessment area is reflected in the following tables. As previously mentioned, the assessment area does not contain any low- or upper-income census tracts. All sampled loans from within the assessment area (31 motor vehicle and 43 consumer unsecured) are included in the analysis.

Distribution of Motor Vehicle Loans in Assessment Area by Income Level of Geography

	Moderate- Income	Middle- Income	Total
Total Number of Loans	1	30	31
Percentage of Total Loans	3.2%	96.8%	100%
Total Amount of Loans (000's)	\$29	\$381	\$410
Percentage of Total Amount	7.1%	92.9%	100%

The bank's level of motor vehicle lending in moderate-income areas (3.2%) falls significantly below the percentage of families located within the four moderate-income tracts of the assessment area (33.1%). This level of lending is considered poor.

Distribution of Consumer Unsecured Loans in Assessment Area by Income Level of Geography

	Moderate- Income	Middle- Income	Total
Total Number of Loans	2	41	43
Percentage of Total Loans	4.7%	95.3%	100%
Total Amount of Loans (000's)	\$4	\$125	\$129
Percentage of Total Amount	3.1%	96.9%	100%

As noted above, 4.7% of the consumer unsecured lending was within moderate-income tracts. This level of lending is well below the percentage of families located within moderate-income tracts (33.1%). Consumer unsecured lending by income level of geography is considered poor.

Approximately 22% of families within the four moderate-income tracts of the assessment area are impoverished. The high poverty rate reduces the level of viable demand for credit from residents within these census tracts. Although the high poverty rate may contribute to a lower level of demand for credit from the moderate-income census tracts, the bank's overall level of lending in such geographies is, nonetheless, considered poor.

Fair Lending Or Other Illegal Credit Practices Review

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