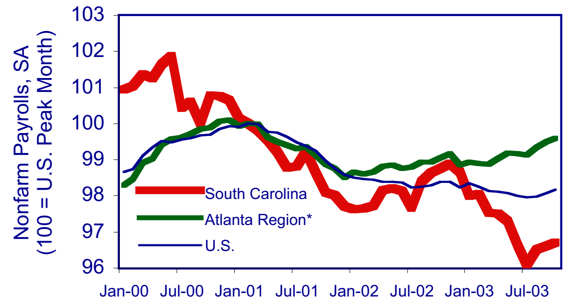
FDIC State Profile
WINTER 2003

South Carolina

After showing some improvement in second quarter 2003, the South Carolina economy weakened in Fall 2003.

- The South Carolina economy continues to grapple with the effects of layoffs in manufacturing industries, which comprise fifteen percent of the state's payroll. Textiles, apparel, chemicals, and machinery have experienced particularly severe losses.
- Job losses in the service sector continue a slight trend downward; industries within this sector that have experienced job growth this quarter include health care, transportation, and clothing and merchandise retail sectors.
- The ***Columbia*** MSA experienced higher year-ago rates of nonfarm job losses than the state loss rate. Among industries in the area's service sector, state government, professional services, and transportation experienced declining payrolls (see Chart 1).
- The state's unemployment rate in the third quarter 2003 rose to the highest level since early 1994. In addition, after declining during 2002, initial unemployment claims have trended upward. Jobless rates in several counties have increased by more than one percentage point during the past year (see Map 1), likely due to continued layoffs in the textiles and apparel industries.
- During 2002, the rate of home price appreciation declined moderately in South Carolina. In second quarter 2003, appreciation in home prices trended slightly higher; however, the rate of increase in home prices is barely outpacing inflation (see Chart 2). Home price appreciation fell below the rate of inflation in the ***Myrtle Beach*** metropolitan areas.
- Following a downward trend in state tax revenues after the recession, collections showed indications of positive growth in second quarter 2003.

Chart 1: Employment Conditions Weaken after Initial Improvement in Early 2003



*Atlanta Region includes AL, GA, FL, NC, SC, VA, WV.
Source: Bureau of Labor Statistics/Haver Analytics

Map 1:
South Carolina Labor Market Conditions Weaken

Red triangles show counties where jobless rates have increased by at least one percentage point during the past year

Blue triangles show counties where jobless rates have declined by at least one percentage point during the past year

Source: Bureau of Labor Statistics/Haver Analytics

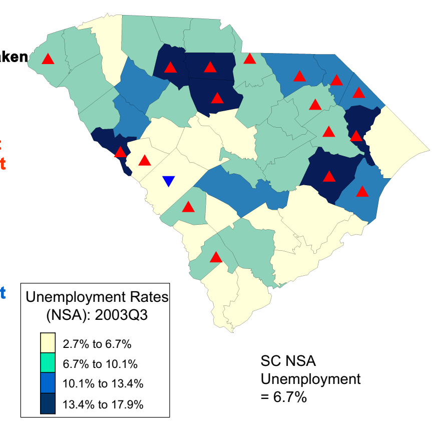
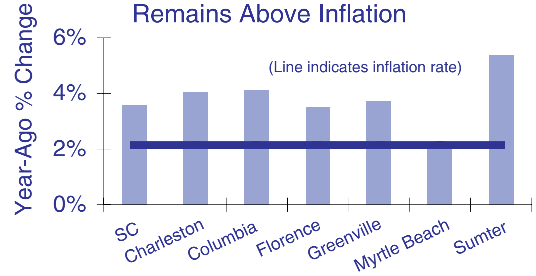


Chart 2: Home Price Appreciation in the South Carolina Metros Remains Above Inflation



Source: Office of Federal Housing Enterprise Oversight /Haver Analytics 2003Q2

Earnings growth was solid among community banks headquartered in South Carolina amid stable credit quality.

- Earnings growth remained solid as of June 30, 2003 for community banks[1] headquartered in South Carolina, albeit at a slower pace than the previous year. Net income during the 12-month period grew 11 percent to $58 million, compared to the 25 percent growth rate a year ago. Interest margins fell 31 basis points to 4.23 percent, while the return- on- assets ratio remained mostly stable at 1.22 percent; both ratios remained well above the regional averages of 4.11 percent and 1.10 percent, respectively.
- Despite weak economic conditions, loan portfolios grew briskly at 17 percent on a merger- adjusted basis during the year ending June 30, 2003. While home equity loans experienced a slight increase, the majority of this growth was concentrated in commercial real estate[2] (CRE) loans. This segment represented 25 percent of assets among community banks headquartered in South Carolina at June 30, 2003, up from 20 percent two years earlier. Although loan portfolio earnings were augmented by the shift toward higher-yielding CRE loans, the increased exposure may also have heightened the level of balance sheet risk among these banks.
- Rising concentrations of CRE loans are particularly evident among community banks headquartered in the ***Charleston***, ***Charlotte-Gastonia NC-SC***, ***Greenville-Spartanburg***, Myrtle Beach, and ***Florence*** MSAs. At June 30, 2003, twelve banks in these areas (19 percent of the total) held at least 30 percent of assets in CRE loans, a level that could increase the vulnerability of these insured institutions to the effects of rising CRE vacancy rates.[3] Although asset quality trends remained favorable as of second quarter 2003, rapid rates of loan growth may understate delinquency and charge-off ratios. Nevertheless, any sudden increase in delinquencies would be offset by strong capital and reserve levels at these institutions.

[1] Community banks are defined as commercial banks with assets less than $1 billion, excluding de novos, specialty banks and thrifts.

[2] Commercial real estate loans consist of construction and development, nonresidential, and multifamily loans.specialty banks and thrifts.

[3] Office vacancy data were unavailable for these areas.

South Carolina at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	100	103	103	109	109
Total Assets (in thousands)	37,975,609	34,579,843	33,242,200	30,673,902	27,993,502
New Institutions (# < 3 years)	5	10	16	17	19
New Institutions (# < 9 years)	29	30	28	30	26

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.41	9.75	9.90	10.55	10.89

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.66%	1.57%	1.56%	1.37%	1.26%
Past-Due and Nonaccrual > = 5%	14	14	10	5	8
ALLL/Total Loans (median %)	1.23%	1.20%	1.18%	1.12%	1.17%
ALLL/Noncurrent Loans (median multiple)	1.68	2.03	2.08	3.16	3.02
Net Loan Losses/Loans (aggregate)	0.36%	0.36%	0.22%	0.13%	0.17%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	3	6	12	14	10
Percent Unprofitable	3.00%	5.83%	11.65%	12.84%	9.17%
Return on Assets (median %)	1.03	1.04	0.97	1.05	1.11
25th Percentile	0.76	0.76	0.51	0.58	0.69
Net Interest Margin (median %)	4.07%	4.36%	4.09%	4.41%	4.35%
Yield on Earning Assets (median)	5.92%	6.61%	8.10%	8.24%	7.83%
Cost of Funding Earning Assets (median)	1.79%	2.38%	4.21%	4.02%	3.50%
Provisions to Avg. Assets (median)	0.21%	0.22%	0.18%	0.19%	0.18%
Noninterest Income to Avg. Assets (median)	0.89%	0.79%	0.78%	0.65%	0.70%
Overhead to Avg. Assets (median)	3.04%	2.97%	3.00%	2.97%	2.99%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	83.53%	84.90%	87.34%	84.73%	80.87%
Loans to Assets (median %)	68.70%	70.53%	69.14%	68.19%	66.10%
Brokered Deposits (# of institutions)	20	19	13	11	10
Bro. Deps./Assets (median for above inst.)	5.20%	5.53%	2.16%	3.05%	1.21%
Noncore Funding to Assets (median)	21.98%	22.11%	22.61%	22.10%	18.38%
Core Funding to Assets (median)	66.35%	66.44%	65.67%	65.87%	68.81%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	48	49	48	48	50
National	25	25	24	24	22
State Member	3	3	3	7	7
S&L	10	11	12	13	13
Savings Bank	13	14	16	17	17
Mutually Insured	1	1	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	50	8,330,244	50.00%	21.94%
Greenville-Spartanburg-Anderson SC	23	15,996,096	23.00%	42.12%
Florence SC	6	501,792	6.00%	1.32%
Myrtle Beach SC	5	2,246,542	5.00%	5.92%
Charleston-North Charleston SC	5	2,939,402	5.00%	7.74%
Columbia SC	4	4,252,827	4.00%	11.20%
Charlotte-Gastonia-Rock Hill NC-SC	3	358,523	3.00%	0.94%
Sumter SC	2	2,789,402	2.00%	7.35%
Augusta-Aiken GA-SC	2	560,781	2.00%	1.48%