FDIC State Profile

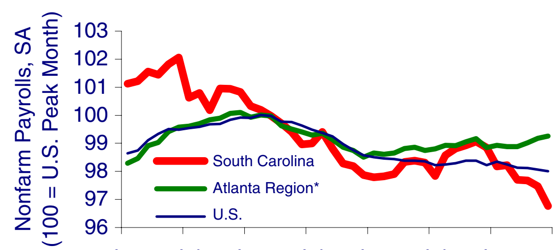
FALL 2003

South Carolina

After showing some improvement in late 2003, the South Carolina economy weakened through the first half of 2003.

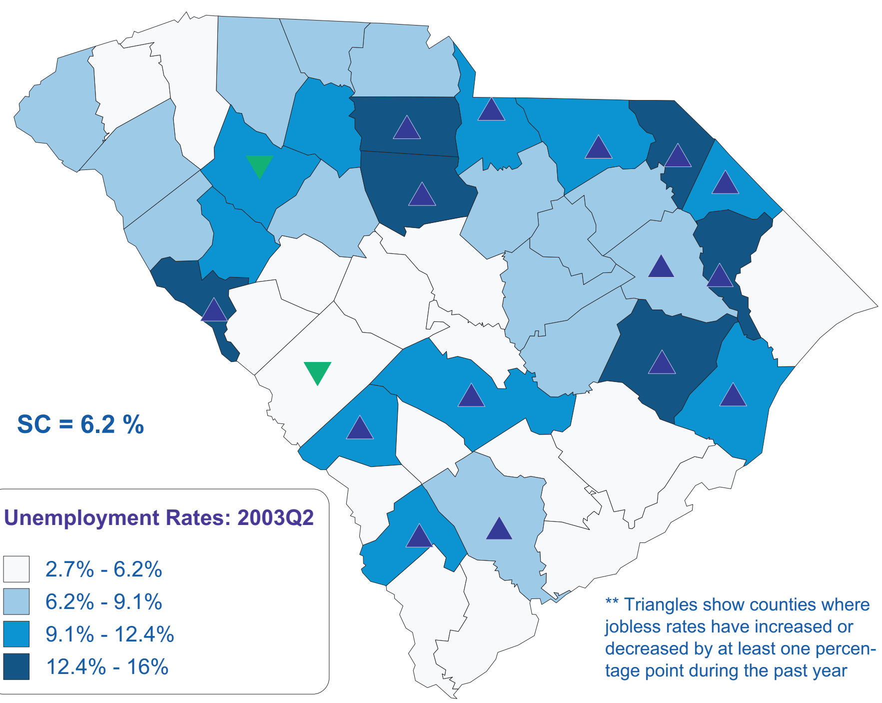
- The South Carolina economy continues to grapple with the effects of layoffs in numerous industries, particularly textiles and apparel. Through year-end 2002, the manufacturing sector in South Carolina continued to lose jobs. However, these losses were offset by growth in the service-producing sectors, for example, health care and real estate. Employment in June 2003 was down 1.7 percent from year-ago levels and 4.2 percent below the cyclical peak in October 2000 (see Chart 1).
- The state's unemployment rate in June 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 in part to continued layoffs in the textiles and apparel industries.
- During 2002, the rate of home price appreciation declined moderately in South Carolina. In first quarter 2003, home prices in the state barely kept pace with inflation. Home price appreciation fell below the rate of inflation in the ***Columbia*** and ***Myrtle Beach*** metropolitan areas.
- The continued weakness in the South Carolina economy is reflected in total tax collections, which remain well below the pre-recession peak. Collections were 0.9 percent below year-ago levels during first quarter 2003.

Chart 1: Employment Conditions in South Carolina Continued to Deteriorate in 2003



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

Map 1: Jobless Rates in South Carolina Show Modest Improvements



Earnings growth was solid among community banks headquartered in South Carolina as credit quality remained generally sound.

- Earnings growth remained solid as of March 31, 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 15 percent to $29 million. This compares unfavorably to a 28 percent rate of growth a year earlier. Profitability measures were mixed with net interest margins falling 23 basis points to 4.26 percent, while the return-on-assets ratio remained stable at 1.26 percent. Despite the performance, both ratios remained well above the regional averages of 4.08 and 1.09 percent, respectively.
- Despite weak economic conditions, loan portfolios grew briskly at 13 percent on a merger-adjusted basis during the year ending March 31, 2003. While home equity loans experienced a slight increase, the majority of this growth was concentrated in commercial real estate (CRE) loans, including construction, nonresidential, and multifamily. This segment represented 18 percent of assets among community banks headquartered in South Carolina at March 31, 2003, up from 15 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 March 31, 2003, 12 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.[2] Although asset quality trends remained favorable as of first quarter 2003, rapid rates of loan growth may mask some deterioration in credit quality.
- Overall, asset quality has started to deteriorate slightly. While most of the change has occurred in the 30-89 day loan segment, increases in past-due loans of 90 days or more has developed among 1-to-4 family mortgages, commercial and industrial loans, and loans to individuals.

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

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

South Carolina at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	102	103	104	110	107
Total Assets (in thousands)	38,196,991	34,000,430	32,635,345	30,879,782	27,274,454
New Institutions (# < 3 years)	6	12	17	17	19
New Institutions (# < 9 years)	30	30	28	29	24

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	9.70	9.88	10.40	10.50	10.47

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	1.87%	1.69%	1.79%	1.33%	1.46%
Past-Due and Nonaccrual >= 5%	16	8	9	5	10
ALLL/Total Loans (median %)	1.24%	1.19%	1.21%	1.14%	1.20%
ALLL/Noncurrent Loans (median multiple)	2.02	2.02	2.12	2.49	2.62
Net Loan Losses/Loans (aggregate)	0.34%	0.21%	0.16%	0.11%	0.17%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	4	4	10	11	9
Percent Unprofitable	3.92%	3.88%	9.62%	10.00%	8.41%
Return on Assets (median %)	1.06	0.97	0.93	1.03	1.07
25th Percentile	0.71	0.76	0.55	0.59	0.66
Net Interest Margin (median %)	4.08%	4.26%	4.05%	4.47%	4.34%
Yield on Earning Assets (median)	5.97%	6.73%	8.26%	8.10%	7.79%
Cost of Funding Earning Assets (median)	1.80%	2.44%	4.38%	3.85%	3.53%
Provisions to Avg. Assets (median)	0.22%	0.22%	0.15%	0.18%	0.15%
Noninterest Income to Avg. Assets (median)	0.88%	0.79%	0.72%	0.67%	0.65%
Overhead to Avg. Assets (median)	3.03%	2.99%	2.94%	2.95%	3.03%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	80.97%	84.37%	84.26%	84.04%	78.87%
Loans to Assets (median %)	67.38%	68.30%	69.11%	69.01%	64.20%
Brokered Deposits (# of institutions)	19	17	13	11	6
Bro. Deps./Assets (median for above inst.)	3.50%	5.73%	2.33%	2.44%	1.22%
Noncore Funding to Assets (median)	23.06%	21.90%	21.63%	19.93%	17.01%
Core Funding to Assets (median)	65.69%	66.75%	65.74%	66.98%	69.48%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	48	49	48	49	51
National	26	25	24	23	20
State Member	3	3	3	7	6
S&L	10	11	12	13	13
Savings Bank	14	14	17	18	17
Mutually Insured	1	1	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	52	8,927,616	50.98%	23.37%
Greenville-Spartanburg-Anderson SC	23	16,269,833	22.55%	42.59%
Florence SC	6	461,862	5.88%	1.21%
Myrtle Beach SC	5	2,122,712	4.90%	5.56%
Charleston-North Charleston SC	5	2,834,237	4.90%	7.42%
Columbia SC	4	3,995,668	3.92%	10.46%
Charlotte-Gastonia-Rock Hill NC-SC	3	353,050	2.94%	0.92%
Sumter SC	2	2,684,259	1.96%	7.03%
Augusta-Aiken GA-SC	2	547,754	1.96%	1.43%