FDIC State Profile

Spring 2004

South Carolina

Payrolls in South Carolina rose modestly in 2003 following two years of decline.

- Employment growth in South Carolina has re-emerged in 2003, though real wages per employee continued to decline (See Chart 1). Net job losses were limited primarily to the manufacturing and trade sectors of the economy. Labor market conditions, however, remained weaker than the nation, although monthly jobless rates during the final months of 2003 showed some modest declines and initial unemployment insurance claims trended downward from their recessionary peak.

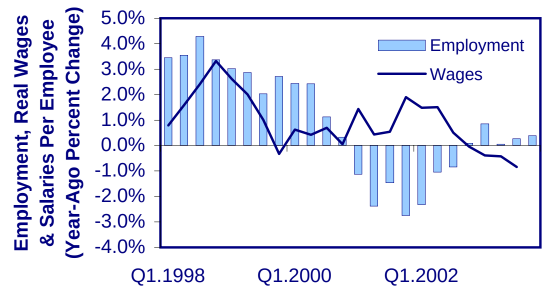
- Labor market conditions varied across South Carolina (See Map 1). With the exception of Florence and Sumter, jobless rates tended to be lowest in metropolitan areas. However, employment declines continue in the larger metropolitan areas. In fourth quarter 2003, Columbia employment was down 4.2 percent and among the worst performers in the nation. In many rural counties, the rate of unemployment not only has remained high, but increased over the past year.

- In February 2004, Blue Cross announced tentative plans to lay off 1,600 employees by August. Over the past few years, the company had been one source of growth for the state. Columbia and Florence are expected to shoulder the burden of the layoffs; these layoffs may contribute to a reversal in the recent downward trend in unemployment insurance claims.

- Despite weak economic growth, South Carolina home values have continued to increase, but the rate of appreciation has been declining. Similarly, homebuilding and existing home sales have continued to rise. Borrowers may be coming under increasing stress, however, as mortgage delinquencies and foreclosures reached record levels during 2003.

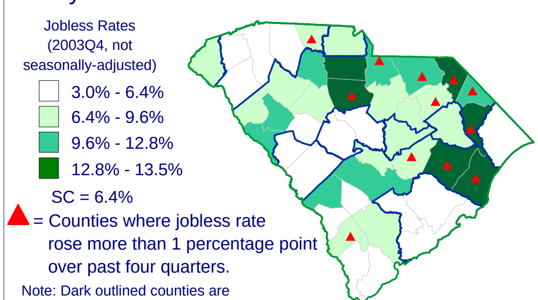
- Two years of declining payrolls, followed by a year of weak growth, have had a detrimental effect on state finances. State tax collections remained well below their peak prior to the recent recession and continued to fall in 2003.

Chart 1: Modest Job Gains Emerge in South Carolina



Source: Bureau of Labor Statistics, Bureau of Economic Analysis (Haver Analytics)

Map 1: Jobless Rates Continue to Rise in Many South Carolina Counties



Note: Dark outlined counties are metropolitan areas (1999 definitions).
Source: Bureau of Labor Statistics/Haver Analytics

Banking conditions in South Carolina remain healthy.

- Net income at South Carolina headquartered commercial banks reached a record high $365 million for the year ending December 31, 2003. Nevertheless, both the median return-on-assets (ROA) and net interest margin (NIM) ratios experienced declines, but remained mostly in line with the national medians at approximately 1 percent and 4 percent, respectively. Lower provision and overhead expenses combined with mostly stable noninterest revenues were not enough to offset the decline in net interest income for the year. Only 43 percent (32 banks) of South Carolina's commercial banks reported a positive change in ROA, with just 20 percent (15 banks) reporting a positive change in NIM over the 12-month period ending December 31, 2003.

- Loan growth at South Carolina commercial banks continued at a solid pace. The loan portfolio was driven higher primarily by nonresidential, commercial and industrial (C&I), and 1-to-4 family loans. Home equity lending (HEL) has also experienced some growth, but not to the extent of the other loan segments. However, some minor signs of weakness have started to develop in the nonresidential and HEL segments as noncurrent loan levels edged higher. In addition, C&I, home mortgages, and nonresidential chargeoff levels trended higher despite fairly robust loan growth in these segments.

Commercial lending activity picked up at larger institutions.

- Despite a generally weak C&I lending market nationally, larger institutions headquartered in the state experienced an increase in their C&I loan portfolios during 2003.[1] As a percentage of assets, aggregate C&I loans at these banks grew to 11.5 percent, up from 11.0 percent a year earlier. As many of these larger institutions have extensive interstate operations, the growth in this loan segment may be occurring in other states. In contrast, banks more apt to lend locally, those with assets less than $1 billion, are still experiencing declines in their C&I loan portfolio. This decline would suggest a slower resumption of business investment spending than at the national level.

- Commercial real estate (CRE) lending continues to grow at many banks in the state. Rapid growth occurred in 2003 at banks in the Greenville-Spartanburg MSA, while slower growth was reported at banks in the Florence MSA. Exposure levels in the Greenville-Spartanburg market are above the national level but are much lower in the Florence market.

- Construction and development (C&D) lending grew rapidly during 2003 at banks in the Florence MSA, with a slower growth rate reported at banks in the Greenville-Spartanburg MSA Resulting exposure levels in the Greenville-Spartanburg market are above the national urban level, but slightly below in the Florence market.

- Median Tier 1 capital remains in good condition at 9.2 percent of assets, just above the national median of 9.1 percent. However, median reserve levels fell for a fourth consecutive year, yet still remained a healthy 2.3 times noncurrent loans at year-end 2003, and comfortably above the national median of 1.9 times.

[1] Larger institutions have assets greater than $1 billion.

South Carolina at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	97	102	103	108	108
Total Assets (in thousands)	40,710,914	36,815,933	33,901,036	31,656,872	29,723,765
New Institutions (# < 3 years)	5	8	14	16	17
New Institutions (# < 9 years)	29	30	30	31	27

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.44	9.75	9.89	10.36	10.66

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.67%	1.85%	2.01%	1.74%	1.37%
Past-Due and Nonaccrual >= 5%	15	14	13	8	4
ALLL/Total Loans (median %)	1.25%	1.20%	1.20%	1.22%	1.21%
ALLL/Noncurrent Loans (median multiple)	2.18	1.94	1.92	2.07	2.22
Net Loan Losses/Loans (aggregate)	0.37%	0.32%	0.29%	0.21%	0.20%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	3	4	12	11	13
Percent Unprofitable	3.09%	3.92%	11.65%	10.19%	12.04%
Return on Assets (median %)	0.98	1.03	0.87	0.91	1.03
25th Percentile	0.70	0.74	0.51	0.46	0.62
Net Interest Margin (median %)	4.06%	4.38%	4.13%	4.35%	4.31%
Yield on Earning Assets (median)	5.76%	6.51%	7.68%	8.34%	7.82%
Cost of Funding Earning Assets (median)	1.66%	2.25%	3.72%	4.21%	3.58%
Provisions to Avg. Assets (median)	0.25%	0.27%	0.24%	0.22%	0.19%
Noninterest Income to Avg. Assets (median)	0.88%	0.80%	0.83%	0.69%	0.65%
Overhead to Avg. Assets (median)	2.98%	3.09%	3.08%	3.08%	2.99%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	80.88%	84.78%	87.07%	83.62%	84.87%
Loans to Assets (median %)	67.43%	68.72%	69.05%	70.18%	67.44%
Brokered Deposits (# of Institutions)	20	17	14	12	11
Bro. Deps./Assets (median for above inst.)	3.02%	5.25%	2.42%	2.38%	2.54%
Noncore Funding to Assets (median)	22.53%	22.96%	21.56%	21.27%	20.70%
Core Funding to Assets (median)	64.46%	65.79%	65.55%	65.87%	66.83%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	47	48	49	47	49
National	25	26	25	25	21
State Member	3	3	3	7	7
S&L	10	10	11	12	13
Savings Bank	11	14	14	17	18
Stock and Mutual SB	1	1	1	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	49	8,431,371	50.52%	20.71%
Greenville-Spartanburg-Anderson SC	21	17,752,795	21.65%	43.61%
Charleston-North Charleston SC	6	3,162,244	6.19%	7.77%
Myrtle Beach SC	5	2,370,562	5.15%	5.82%
Florence SC	5	488,760	5.15%	1.20%
Columbia SC	4	4,420,249	4.12%	10.86%
Charlotte-Gastonia-Rock Hill NC-SC	3	367,734	3.09%	0.90%
Sumter SC	2	3,083,440	2.06%	7.57%
Augusta-Aiken GA-SC	2	633,759	2.06%	1.56%