



PUBLIC DISCLOSURE

April 14, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pee Dee Federal Savings Bank
Charter Number 703697

106 East Court Street
Marion, SC 29571

Office of the Comptroller of the Currency

212 South Tryon St.
Suite 700
Charlotte, NC 28281

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.

INSTITUTION'S CRA RATING: This institution is rated Outstanding

The major factors that support this rating include:

- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable.
- The bank makes a substantial majority of its loans inside its assessment area (AA).
- The distribution of loans to borrowers of different income reflects excellent penetration.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- The bank did not receive any complaints during the evaluation period.

SCOPE OF EXAMINATION

We performed a full-scope evaluation of Pee Dee Federal Savings Bank ("Pee Dee" or "the bank") using the small bank Community Reinvestment Act (CRA) evaluation procedures. Based upon the bank's strategy and the loans originated during the evaluation period, we determined that consumer loans are Pee Dee's primary loan product. Pee Dee is not subject to the reporting requirement of the Home Mortgage Disclosure Act (HMDA). Therefore, we reviewed the bank's loan application register and selected a sample of forty loans originated during the evaluation period to determine the bank's lending performance.

The evaluation period for our review was January 1, 2014 through December 31, 2015. The evaluation period for the loan-to-deposit ratio was July 1, 2009 through September 30, 2015.

DESCRIPTION OF INSTITUTION

Pee Dee is a federally chartered, intrastate mutual savings institution headquartered in Marion, South Carolina. As of December 31, 2015, the total assets for the bank were \$38 million. The bank's tier one capital equaled \$6.8 million and risk based capital totaled \$7.1 million, resulting in capital ratios of 37.38 percent and 38.69 percent, respectively.

Pee Dee operates two full service branches in Marion County; located in the cities of Marion and Mullins. The lobbies and drive-thru windows of both offices have hours from 8:30 a.m. to 5:00 p.m. Monday through Friday. Both locations offered safe deposit boxes and night deposits. Although Pee Dee does not operate any proprietary ATMs, it does offer ATM/Debit cards through an agreement with a larger local institution with a wide network of ATMs. In December 2015, Pee Dee sold the Mullins office building and transferred the employees to the Marion branch. This did not generate any negative publicity and the bank has not experienced a loss of deposits as a result of the closure.

Pee Dee serves its local community by offering a variety of deposit and loan products commensurate with its size and resources and appropriate to the needs of the residents of Marion County. Deposit products available include checking and money market accounts, various savings accounts, certificates of deposit, and individual retirement accounts. Pee Dee originates first and second lien residential mortgages, home equity loans, secured and unsecured consumer loans and small commercial loans primarily to small “Mom and Pop” operations in the local community. Over the two-year review period and since the last CRA exam, Pee Dee’s primary lending product has been consumer loans. As of December 31, 2015, the bank has invested its assets, approximately 14 percent in residential mortgage loans, 11 percent in nonresidential mortgages, 9 percent in commercial loans and 8 percent in consumer loans. The remaining assets were invested in cash and other liquid assets. The table below reflects the distribution of the bank’s loan portfolio at December 31, 2015.

Pee Dee Federal Savings Bank Distribution of Loan Portfolio as of December 31, 2015			
Loan Type	Amount by Loan Type (\$000s)	Total Amount of Loans (\$000s)	% of Total Loans
<i>Commercial Real Estate including Commercial & Industrial</i>		<i>\$7,490</i>	<i>47.65%</i>
Non-farm Non-residential Properties	\$3,388		
Construction and Land Development	\$744		
Commercial and Industrial	\$3,282		
Secured by Farmland	\$76		
<i>Residential Real Estate, including Multifamily</i>		<i>\$5,129</i>	<i>32.63%</i>
1-4 Family Residential Secured by 1 st liens	\$4,320		
1-4 Family Residential Secured by junior liens	\$0		
1-4 Family Residential, open-end	\$526		
Multifamily (5 or more) Residential	\$283		
Construction 1-4 Family	\$0		
<i>Consumer</i>		<i>\$3,099</i>	<i>19.72%</i>
Total Loans		\$15,718	100%

Source: 12/31/2015 Call Report

Pee Dee is prominent within the community and contributes to various civic and philanthropic causes including the county museum, the local Chambers of Commerce, Habitat for Humanity in Marion County, the local library, and the local school district among others.

Competitors in Pee Dee Assessment Area (AA) include First Citizens Bank, Anderson Brothers Bank, TD Bank, Wells Fargo, and Wood Forest Bank (branch office in local Walmart store).

There are no known legal, financial or other factors impeding Pee Dee’s ability to help meet the credit needs of its assessment area. The bank received an “Outstanding” CRA rating in the last CRA public evaluation dated June 22, 2009.

DESCRIPTION OF ASSESSMENT AREA(S)

Pee Dee has defined all of Marion County, South Carolina as its AA, which is not a part of any Metropolitan Statistical Area and therefore is considered a non-MSA. The AA meets the technical requirements of the CRA and does not arbitrarily exclude low-income or moderate-income census tracts.

Pee Dee's AA contains eight census tracts that are composed of two moderate-income and six middle-income census tracts. There are no low or upper income tracts in Marion County. All six of the middle-income census tracts are designated as distressed due to their higher levels of unemployment, population loss, and poverty. Based on the latest data available from the State of South Carolina, the population in Marion County with income below the poverty level was 30.7 percent for 2013 and this represents an increase from 29.5 percent for 2010.

Based upon 2010 U.S. Census data, the total population of Marion County was 33,062. Unemployment for Marion County was 9.8 percent for January 2016, which is the 3rd highest in the state, according to State data. This represents an improvement from the 22.1 percent in March 2009, the as of date for the June 22, 2009 CRA exam. Marion County has always been largely agricultural, with a dependence on income from textile manufacturing and tobacco crops. However, since 2000, tobacco has not been a profitable crop and the major textile employers in the county have closed their operations. According to bank management and the public contacts, lack of employment opportunities is the most significant problem in the county, coupled with a workforce that lacks skills and education appropriate for today's work environment. The major employers in Marion County are So Pak Co., AVM Industries, Precision Southeast, and Beneteau, Inc.

According to the 2010 Census, the statewide, nonmetropolitan median family income for the State of South Carolina was \$43,494. For the bank's two moderate-income tracts, the median family income range was \$28,607 to \$32,632. For the bank's six middle-income tracts, the median family income range was \$34,946 to \$48,880.

During the examination, we obtained information from two community contacts to determine the economic conditions, housing, and local banking needs for low- to moderate-income residents in the assessment area. The contacts noted that economic conditions have improved, since June 2009. The unemployment remains problematic for Marion County as noted by the county. It has the third highest unemployment rate in the State. Both contacts noted Pee Dee's active participation and support in the AA with a variety of loans, investments and services to charities and other not-for-profit entities. Several years ago, the bank spent \$250,000 to purchase and rehabilitate a property in Marion, which it now leases to the county for \$1 per year. The county uses this property as its Economic Development Center, which promotes economic development and job creation throughout Marion County. The bank completed a \$100,000 grant to the school district for the rehabilitation of the Marion Elementary School that now houses the school system District Office as well as being used for public meetings and computer classes that benefit the entire community. Annually, one of the bank's senior officers presents a banking and consumer credit lecture to the high school senior class. The bank also makes available a \$25,000 interest free line of credit for the Habitat for Humanity in Marion County.

The following table summarizes certain demographic characteristics in the Marion County AA.

Demographic Information for Marion County AA						
Based upon 2010 U.S. Census Data						
CENSUS TRACT INCOME LEVEL¹						
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS	#	8	0	2	6	0
Population	#	33,062	0	7,705	25,357	0
By Income Level		100.00%	0%	23.30%	76.70%	0%
Total Housing	#	15,052				
% Owner Occupied Housing		8,130	0%	24.22%	75.78%	0%
% Renter Occupied Housing		4,104	0%	22.51%	77.49%	0%
% Vacant Housing		2,818	0%	21.93%	78.07%	0%
Distribution of Households by Income Level		100.00%	29.40%	16.75%	14.30%	39.55%
Average Median Housing Value		\$82,733	\$0	\$67,072	\$87,497	\$0
Updated Median Family Income (MFI) For 2010		\$46,400				
% Of Households Below Poverty Level		25.13%				

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Pee Dee's overall lending performance is outstanding. This conclusion is based upon the results of the following lending tests used to determine if the bank meets the credit needs of the AA. All criteria of the specific lending tests are documented below.

Loan-to-Deposit Ratio

Pee Dee's average loan-to-deposit (LTD) ratio is reasonable considering the bank's size, financial condition, and the AA's credit needs. Since the bank's last CRA examination in June 2009, the bank's LTD ratio for the 25 quarters averaged 74.44 percent. This ratio ranged from a quarterly low of 53.01 to a quarterly high of 104.59 during the review period. The bank's quarterly LTD ratio compares favorably with other similarly sized financial institutions in South Carolina is 78.04 percent. The peer average LTD ratio over the same 25 quarters ranged from a low of 67.06 percent to a quarterly high of 101.64 percent.

¹ The Median Family Income (MFI) of a low-income census tract is <50% of the MFI of the nonmetropolitan area in which it is located. Similarly, a moderate-income tract is ≥50%, but <80%; a middle-income tract is ≥80%, but <120%; and an upper-income tract is ≥120%.

Lending in Assessment Area

The bank makes a substantial majority of its consumer loans inside its assessment area (AA). During the evaluation period, \$9,368 million or 88.33 percent of consumer loans originated within the bank’s AA. This volume of lending is particularly notable given the elevated level of unemployment in the AA. The following table details the bank’s record of lending within the AA.

Consumer Loans Originated In and Outside the Assessment Area January 1, 2014 through December 31, 2015								
Loan Type	Inside AA			Outside AA			Total	
	No.	\$ (000)	% No.	No.	\$ (000)	% No.	No.	\$ (000)
Consumer	477	\$9,368	88.33%	63	\$2,93	11.67%	540	\$11,461

2014 and 2015 Bank Loan Register

Lending to Borrowers of Different Incomes

Pee Dee’s distribution of consumer loans to borrowers of different income levels reflects excellent penetration. We sampled a total of forty consumer loans, to determine the bank’s distribution of lending to borrowers of different incomes. The bank’s percentage of lending to both low-income and moderate-income borrowers exceeds the percentage of such households in the AA. The following table shows the percentage of lending to borrowers of different income levels in the AA and compares it to the percentage of households in each income category.

The bank's distribution of loans to low-income borrowers was its highest percentage in 2014 at approximately 39 percent and for 2015 approximately 24 percent was the bank’s second highest percentage.

Borrower Income Level Marion County	2014 and 2015		Distribution of Households in AA
	Number of Loans	Percent of Loans	
Low = <50% MFI	11	31.43%	29.40%
Moderate = 50-79% MFI	11	31.43%	16.75%
Middle = 80-119% MFI	7	20.00%	14.30%
Upper = ≥ 120% MFI	6	17.14%	39.55%
Total	35	100.00%	100.00%

Source: 2014 and 2015 loan sample and 2010 Census data

Geographic Distribution of Loans

The geographic distribution of consumer loans reflects excellent dispersion throughout the AA. The bank’s distribution of loans in the moderate-income census tract is almost equal to the percentage of households located in these census tracts. The bank’s distribution of loans in middle income census tracts exceeded the percentage of household located in the middle income census tracts. Based upon 2010 U.S. Census data, there are no low-income or high-income

census tracts in Marion County, only moderate- and middle-income census tracts. Additionally, all six middle-income census tracts are designated “distressed” due to high levels of poverty, unemployment, and/or population loss. During the review period, Pee Dee originated loans in every census tract of the AA. The following table shows the geographic distribution of loans compared to the percentage of households for each census tract.

Geographic Distribution of Consumer Loans By Census Tract Income Level in Marion County AA January 1, 2014 through December 31, 2015		
Census Tract Income Category	% of Loans	% Households
Low	0.00%	0.00%
Moderate	22.86%	23.65%
Middle	77.14%	76.35%
Upper	0.00%	0.00%
Total %	100.00%	100.00%

Source: 2014 and 2015 loan sample and 2010 Census data

Responses to Complaints

During the evaluation period, Pee Dee did not receive any CRA-related complaints since the last evaluation period related to their performance in helping to meet the credit needs of its AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.