



May 26, 2010

Dear Shareholder:

As reported to you last quarter, we continue to see some bright spots appearing in the economy and we hope they continue throughout 2010 and beyond. However, there are significant problems to be worked through in the banking industry all over the country, and South Carolina will have its share of difficulties as well. Unemployment is still far too high, consumer spending is still anemic and real estate values continue to decline and are unpredictable. Consumer spending represents about 70% of our country's Gross Domestic Product, and until people are comfortable that their employment is secure, they will continue to be careful with their spending. It is our opinion that we still have at least a couple of years of lean times ahead before things get appreciably better.

The tough economic environment continues to affect our economy and nearly all financial institutions, including our own. We continued to make significant provisions for loan losses in the first quarter of 2010 of \$3,425,000. These provisions resulted in Peoples Bancorporation recording a net after-tax loss for the quarter of \$1,100,000. During the same period in 2009, the Company made provisions for loan losses of \$705,000 and recorded a net after-tax profit of \$558,000. The provisions for loan losses recorded in the first quarter of 2010 allowed us to increase the level of our allowance for loan losses to \$8,665,000, or 2.35% of gross outstanding loans, at March 31, 2010. During the first quarter of 2010, the Company recorded actual net loan charge-offs of \$2,192,000 compared to \$2,309,000 for the first quarter of 2009.

The good news is that our people are committed to making Peoples Bancorporation better every day. The Company and each of our bank subsidiaries continue to maintain capital well in excess of levels required by regulatory standards and our liquidity position is the highest it has been in many years.

As we enter the second quarter of 2010, our focus remains on strengthening our balance sheet, increasing core deposits, making loans, providing for loan losses as needed, controlling expenses, looking for opportunities to increase revenues, and preserving capital.

Sincerely,

A handwritten signature in black ink that reads 'R. Riggie Ridgeway'.

R. Riggie Ridgeway
Chief Executive Officer

A handwritten signature in black ink that reads 'L. Andrew Westbrook, III'.

L. Andrew Westbrook, III
President & Chief Operating Officer

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PEOPLES BANCORPORATION, INC.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)
(Amounts in thousands except share information)

<u>Income Statement</u>	Three Months Ended March 31,			<u>Change</u>
	<u>2010</u>		<u>2009</u>	
Net interest income	\$ 4,738	\$	4,405	7.56%
Provision for loan losses	3,425		705	385.82%
Other income	947		1,036	-8.59%
Other expense	<u>4,145</u>		<u>4,084</u>	1.49%
Income (loss) before income taxes	(1,885)		652	-389.11%
Provision (benefit) for income taxes	<u>(785)</u>		<u>94</u>	-935.11%
Net income (loss)	<u>\$ (1,100)</u>		<u>\$ 558</u>	-297.13%
Dividends paid or accumulated on preferred stock	172		-	100.00%
Net amortization of preferred stock	<u>33</u>		<u>-</u>	100.00%
Net income (loss) available to common shareholders	<u>\$ (1,305)</u>		<u>\$ 558</u>	-333.87%
Return on average assets (1) (2)		-3.16%	0.31%	
Return on average common equity (1) (3)		-12.72%	4.10%	
Net income (loss) per common share				
Basic	\$ (0.19)	\$	0.08	
Diluted	\$ (0.19)	\$	0.08	

<u>Balance Sheet</u>	March 31,	March 31,	December 31,
	<u>2010</u>	<u>2009</u>	<u>2009</u>
	(Unaudited)	(Unaudited)	(Audited)
Total assets	\$ 552,426	\$ 563,098	\$ 556,601
Gross loans	369,122	392,450	373,574
Allowance for loan losses	8,665	7,613	7,431
Loans, net	360,457	384,837	366,143
Securities	115,536	110,180	116,213
Total earning assets	503,720	527,575	504,799
Total deposits	479,973	455,173	484,996
Shareholders' equity	53,265	42,309	54,443
Book value per common share	5.79	5.98	5.96

- (1) Annualized
(2) Return on average assets is calculated as net income (loss) divided by average assets.
(3) Return on average common equity is calculated as net income (loss) available to common shareholders divided by average common equity.

PEOPLES BANCORPORATION, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

	March 31, <u>2010</u>	December 31, <u>2009</u>	September 30, <u>2009</u>	June 30, <u>2009</u>	March 31, <u>2009</u>
<u>Asset Quality Data</u>					
Nonperforming loans					
Non-accrual loans	\$ 16,496	\$ 14,881	\$ 20,153	\$ 17,746	\$ 14,056
Past due loans 90 days + and still accruing	<u>120</u>	<u>-</u>	<u>214</u>	<u>-</u>	<u>-</u>
Total nonperforming loans	16,616	14,881	20,367	17,746	14,056
Other real estate owned	<u>12,596</u>	<u>11,490</u>	<u>10,073</u>	<u>3,919</u>	<u>4,921</u>
Total nonperforming assets	<u>\$ 29,212</u>	<u>\$ 26,371</u>	<u>\$ 30,440</u>	<u>\$ 21,665</u>	<u>\$ 18,977</u>
Net charge-offs for quarter ended	\$ 2,192	\$ 1,275	\$ 2,483	\$ 677	\$ 2,309
Nonperforming assets as a percentage of					
total loans and other real estate	7.65%	6.85%	7.73%	5.50%	4.78%
Nonperforming assets to total assets	5.29%	4.74%	5.56%	4.00%	3.37%
Allowance for loan losses to nonperforming loans	52.15%	49.94%	36.12%	44.00%	54.16%
Allowance for loan losses to total loans outstanding	2.35%	1.99%	1.92%	2.00%	1.94%
Quarterly net charge-offs to total loans outstanding	0.59%	0.34%	0.65%	0.17%	0.59%
<u>Capital Ratios</u>					
Total Capital (to risk-weighted assets)	13.37%	13.67%	14.03%	14.18%	10.95%
Tier 1 Capital (to risk-weighted assets)	12.11%	12.41%	12.78%	12.92%	9.70%
Tier 1 Capital (to average assets)	8.66%	9.03%	9.65%	9.74%	7.27%