

PUBLIC DISCLOSURE

SMALL BANK

September 13, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Florence County National Bank
Charter #23566
1600 West Palmetto Street
Florence, SC 29502**

**Office of the Comptroller of the Currency
Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Florence County National Bank**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 13, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated ***Satisfactory***.

- , The institution exhibits a reasonable loan-to-deposit ratio.
- , The institution's record of lending to borrowers within its assessment area is satisfactory.
- , The distribution of loans by income and geography reflects adequate penetration.
- , No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

DESCRIPTION OF INSTITUTION

Florence County National Bank is a two branch institution with its main office located in Florence, South Carolina. In addition to this office, the bank has one office located in Lake City, South Carolina. The bank opened for business on April 1, 1998 and this is the first evaluation of CRA performance. The main office is located within a middle-income census tract. The Lake City branch is located within a moderate-income census tract. Florence County National Bank is a subsidiary of First National Corporation, Orangeburg, SC, a three bank holding company with total assets of \$643 million as of December 31, 1998.

Average assets were \$29 million as of June 30, 1999 with gross loans representing 71% of average assets. The loan portfolio is comprised of the following loan types:

\$7.4 million in Commercial, Industrial and Non-farm, Non-residential Real Estate Loans
\$6.0 million in 1-4 Family Residential, Construction, Home Equity loans
\$7.3 million in Consumer Loans

As illustrated above, the bank's lending is diversified between the major loan categories, consistent with the institution's overall strategic goals and objectives. Our review included an analysis of the commercial loan portfolio as well as the various home mortgage related credits originated during their assessment period. Due to the bank's limited farm loan originations a sample review of these products would not have been meaningful.

This review disclosed no financial or legal impediments restricting the bank's lending activities. We were unable to determine the bank's exact volume of originations during our assessment period, from April 1, 1998 through June 30, 1999, due to internal system limitations. As of June 30, 1999 the bank had 906 loans outstanding for a total of \$20.7 million.

DESCRIPTION OF THE ASSESSMENT AREAS

The bank's assessment area is the Florence County Metropolitan Statistical Area (MSA) which is located in the southeastern section of South Carolina. The assessment area meets the requirements of the CRA regulation and does not exclude any low-or moderate-income geographies. Within the Florence County MSA there are two low-income census tracts which represents 7% of the total number of census tracts within the bank's assessment area. We identified six moderate-income census tracts which equals 21% of the total number of census tracts. There are 13 middle-income tracts which represents 45% of the total census tracts, and eight upper-income tracts which equals 28% of the total tracts within the assessment area. The 1990 census reported the population within the MSA at 114,344. Lending to borrowers of different incomes was evaluated on the basis of the 1999 statewide updated MSA median family income of \$42,100.

The bank's assessment area is diversified, with major industries relating to the medical field, including two regional hospitals and a large pharmaceutical operation. The Florence area also caters to several manufacturing entities, a sizable retail market, and city/county government offices. Florence county also benefits from local investment by international corporations which has contributed to continued employment growth for the area.

Competition in the institution's assessment area is extensive and includes several regional and community banks, credit unions, and numerous finance companies. The bank's main competitors in the MSA area are larger regional institutions with significant asset structures, however, several new community banks have opened in this market within the past few years resulting in increased competition in the bank's service area.

We made two community contacts in conjunction with this examination which represented a privately-funded real estate organization and a planning and development office of a local municipality. These contacts indicated a need within the community for development of affordable housing, and for local institutions to consider tailoring products to assist in the home-financing needs of the area's low- and moderate-income borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The quarterly average loan-to-deposit ratio since the bank opened on April 1, 1998 is satisfactory at 66%. This performance compares favorably to the average for all peer banks in South Carolina, with an average loan-to-deposit ratio of 72%. Banks with average assets under \$250 million are considered peer banks for comparative purposes.

Lending in the Assessment Area

Commercial Loan Origination Analysis

A majority of the bank's commercial lending is extended within its assessment area based on a sample of forty-three business loans originated since the bank's opening in April 1998. This sample revealed 84% of the number of loans, and 96% of the dollar of loans, were originated to businesses located within the bank's assessment area.

Home Mortgage Loan Origination Analysis

A substantial majority of the bank's residential lending is within its defined assessment area. We performed a review of the bank's lending patterns using home mortgage data. This included all home purchases, refinance, and home improvement loan products originated from August 1998 through June 1999. The results of this sample indicated that 81% of the total number of all loans, and 83% of the total dollar amount

of all loans, were made to borrowers within the assessment area during the evaluation period. In addition, we found the bank had extended credit to 17 of the 29 census tracts within its assessment area, which reflects satisfactory penetration based on the bank's branch structure and age. Of the 12 census tracts the bank did not penetrate, the majority are designated as middle- or upper-income census tracts.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Performance Based on Small Business Loan Originations

We found the institution's distribution of lending among businesses of different sizes reflects reasonable penetration within the assessment area. We based this determination on a random sample of 36 commercial loans originated during the evaluation period. Based on our review, we found the bank originated 25 loans to businesses that had annual revenues of less than \$1 million. These loans comprised \$1,266,000, or 50% of the sampled commercial loan originations. In addition, small business loans of \$100,000 or less make up a substantial portion of the bank's commercial portfolio. Out of 25 loan originations to small businesses, 22 of these loans were originated at or below \$100,000 which represents 88% of the small business originations. Small businesses are defined as companies with gross annual revenues of \$1 million or less. The following table illustrates the bank's small business lending performance in their assessment area.

Small Business Loan Originations					
# Cml Originations	\$ Cml Originations	# Sm Bus Originations	% of Cml Originations	\$ Sm Bus Originations	% of Cml Originations
36	\$2,523,000	25	69%	\$1,266,000	50%

* Based on a random sample of 36 commercial loan originations in the bank's assessment area.

The bank compares favorably with the demographics for the assessment area, which indicate that 74% of the commercial businesses generate annual revenues under \$1 million.

Performance Based on Home Mortgage Loan Originations

We also reviewed a sample of home mortgage and home improvement loans originated during 1998 and through June 1999 within the assessment area to determine the bank's distribution of lending to borrowers of different incomes. A summary of these findings is detailed in the tables below:

Home Mortgage Loan Originations to Borrower's of Different Income Levels				
Income Category	# of Loans	% of Orig	\$ of Loans	% of Orig
Low	1	3%	50,000	0%
Moderate	4	12%	163,000	9%
Middle	11	33%	856,000	17%

Home Mortgage Loan Originations to Borrower's of Different Income Levels				
Upper	17	52%	2,022,000	74%

* Based on all home mortgage originations from August 1, 1998 through June 30, 1999 (10 months)

The bank's MSA assessment area is comprised of 24% low-income, 16% moderate-income, 19% middle-income, and 41% upper-income families. As evidenced by the table above, the bank is generally in line with the MSA demographics for lending to moderate-income borrowers, however lending to low-income borrowers is below the demographic standard. A community contact conducted during this examination indicated that there is a considerable level of modular, manufactured, and mobile home ownership within Florence County, and that manufacturers of these homes aggressively market in-house financing. This factor may contribute to the bank's low level of mortgage lending to low-income families. Our review also indicated that the bank did not receive loan applications for home mortgages from any low-income individuals during 1999. The bank offers a full line of mortgage products and participates in government-subsidized housing programs.

Geographic Distribution of Loans

Performance Based on Small Business Loan Originations

Distribution of small business credits within the bank's assessment areas is satisfactory. To form a conclusion on the bank's geographic distribution in its assessment area, we reviewed a random sample of small business loans originated during 1998 and 1999. The following table demonstrates the bank's satisfactory penetration throughout their assessment area. Demographic data shows that the bank's assessment area has 3,014 non-farm businesses with annual revenues of less than \$1 million. Approximately 28% of these businesses are located in low or moderate-income census tracts.

Small Business Loan Originations in Assessment Area				
Census Tracts	# of Loans	% of Orig	\$ of Loans	% of Orig
Low	0	0%	0	0%
Moderate	2	8%	285,000	23%
Middle	15	60%	802,000	63%
Upper	8	32%	179,000	14%

*Based on a random sample of 25 commercial originations extended during the assessment period.

Performance Based on Home Mortgage Loan Originations

The geographic distribution of credit within the bank's assessment area also reflects reasonable penetration.

We noted no conspicuous, unexplained gaps in the bank’s lending patterns. We based our findings on a review of all home mortgage loans originated in the assessment area from August 1998 through June 1999. Home mortgage loans include first purchase, refinance, and home improvement/equity loans. The results of this sample is illustrated in the following table:

Home Mortgage Originations				
Census Tracts	# of Loans	% of Orig	\$ of Loans	% of Orig
Low	0	0%	0	0%
Moderate	8	24%	560,000	27%
Middle	10	30%	724,000	14%
Upper	15	46%	1,807,000	59%

* Based on all home mortgage originations from August 1, 1998 through June 30, 1999 (10 months)

The Florence County MSA Assessment Area demographics reflect 6% of the families reside in low-income census tracts while 22% of families reside in moderate-income census tracts. Of the remaining families in this assessment area, 43% are located in middle-income tracts and 29% reside in upper-income census tracts. The percentage of originations extended to borrower’s residing in moderate-income census tracts exceeds the MSA demographics by number and dollar of originations, however, the bank has originated no loans to individuals residing in low-income census tracts during the evaluation period.

The absence of mortgage lending to this segment of the assessment area may be attributed to the fact that less than seven percent of the assessment area’s housing units are located in low-income census tracts, and the level of owner-occupied housing units within these tracts is very low. .

Review of Complaints

The bank has received no complaints during the assessment period.

Institution’s Record of Complying with the Anti-discrimination Laws

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations including the Equal Credit Opportunity Act. During our examination, we tested a sample of automobile loans to determine if similarly situated applicants had an equal chance of obtaining credit. This testing disclosed no evidence of disparate treatment on a prohibited basis.