



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

November 26, 2007

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of South Carolina  
Charter Number: 10680

801 Gilway Street  
Holly Hill, SC 29059

Office of the Comptroller of the Currency  
Carolinas Field Office  
6100 Fairview Road Suite 1154  
Charlotte, NC 28210

**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 Satisfactory.**

First National Bank of South Carolina's (FNBS) performance rating is supported by the following factors:

- A reasonable loan-to-deposit ratio;
- A majority of loans are in the assessment area;
- A reasonable dispersion of loans in the assessment area to borrowers of different income levels and businesses of different sizes, particularly to small businesses;
- An excellent geographic distribution of loans in the assessment area, and
- No complaints were received during this evaluation period.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank's performance under small bank procedures. In evaluating the bank's lending performance, we reviewed residential mortgage loans subject to filing under the Home Disclosure Act (HMDA), as well as small loans to businesses. The evaluation period for the loan-to-deposit ratio is May 21, 2002 through June 30, 2007. The evaluation period for HMDA and commercial loans was January 1, 2005 through June 30, 2007.

As part of this CRA evaluation, we tested the bank's publicly filed information for accuracy. We found no significant errors in the loan data. This evaluation is based on accurate data.

**DESCRIPTION OF INSTITUTION**

FNBS is an intrastate financial institution in South Carolina and operates eight banking offices. The bank opened for business in 1905. FNBS is a wholly owned subsidiary of First National Bank Corporation (FNBC), a one-bank holding company headquartered in Holly Hill. The bank's main office is located in Holly Hill. There are three offices in Summerville and four other offices in Eutawville, Harleyville, Ridgeville, and Goose Creek. These offices are no more than thirty miles from the main office. All of the offices have automated teller machines on location.

FNBS offers a full range of banking products and services. As of June 30, 2007, total assets were \$161 million with net loans representing 54 percent of total assets. The bank's primary loan products are commercial and residential mortgage loans.

Commercial lending represents 65 percent of the total loan portfolio with the remaining 35 percent in consumer lending. This loan mix is consistent with FNBSC's overall strategic goals and objectives.

The bank's Tier One capital is \$24 million and their risk-based capital to risk weighted assets equals 22 percent. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment areas.

According to the Federal Depository Institution Corporation's Market Share Report, there were 29 banks operating in the North Charleston/Charleston MSA as of June 30, 2007. FNBSC ranked fifteenth in total deposits with just under one percent of the market share. For Orangeburg County, FNBSC ranks seventh out of 9 banks in that market and has 5 percent of the market share.

FNBSC's received a "Satisfactory" CRA rating in the last CRA public evaluation, dated May 20, 2002.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank has two assessment areas (AA) located within four contiguous counties. The larger of the two AAs consists of 36 census tracts within the North Charleston/Charleston Metropolitan Statistical Area (MSA). The census tracts within the MSA are dispersed between Charleston, Dorchester, and Berkeley counties. The second AA is comprised of the three census tracts located in the non-MSA area of Orangeburg County. There are no low-income tracts in either AA. The bank's assessment areas meet the legal requirements of the regulation and do not arbitrarily exclude low- or moderate-income areas.

### ***North Charleston/Charleston MSA Assessment Area***

The AA consists of 8 moderate-income census tracts (22 percent), 22 middle-income census tracts (61 percent), and 6 upper-income census tracts (17 percent). The population of the MSA is 221,395 with approximately 59,685 families residing in the AA. Demographics indicate that 19 percent of the families are categorized as low-income, 18 percent as moderate-income, 24 percent as middle-income, and 39 percent as upper income. There are 84,397 housing units with owner-occupied units at 68 percent, rental-occupied units at 24 percent, and vacant-housing units at 8 percent in the AA. We evaluated lending to borrowers of different incomes based on the updated median family income of \$56,400.

As of December 31, 2006, the unemployment rate was at 4.8 percent and lower than the state unemployment rate of 6.5 percent. Major employers for the North Charleston/Charleston MSA include the US Navy, the Medical University of South Carolina, and Charleston Air Force Base.

### **Orangeburg County Non-MSA Assessment Area**

This AA is comprised of 3 middle-income census tracts (101, 102, and 103) that are considered distressed due to the high unemployment level of the AA. The AA is highly dependent upon manufacturing jobs, and many of these jobs, particularly textiles have closed or relocated over seas. Some of the manufacturing jobs have seasonal lay-offs that tend to inflate the unemployment rate. As of December 31, 2006, the Orangeburg County unemployment rate was at 9.5 percent and was higher than the state unemployment rate of 6.5 percent. Major employers for the Orangeburg County include Husqvarna, the Orangeburg County Education District, and the Orangeburg County government.

The population of the AA is 15,923 with 4,406 families. Demographics indicate that 30 percent of the families are categorized as low-income, 17 percent as moderate-income, 21 percent as middle-income, and 32 percent as upper-income. Total housing units are 7,461 with owner-occupied at 68 percent, rental-occupied at 12 percent, and vacant housing units at 20 percent in the AA. We evaluated lending to borrowers of different incomes based on the update median family income in the non-MSA AA of \$46,600.

As a part of our review, we also incorporated information obtained from local community contacts and discussions with bank management. The contacts consisted of local government officials. Agencies contacted primarily focused on business development and the revitalization of historic areas. From these discussions, we determined that the credit needs were loans for small business owners and loans to support the college student housing shortage.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

- **The bank's average loan-to-deposit ratio is reasonable at 64.49 percent.**

The quarterly average loan-to-deposit ratio is reasonable at 64.49 percent and is near the peer bank average of 66% for similarly situated peer banks.

### **Lending in Assessment Area**

- **A majority of FNBSC's lending is within the assessment area.**

The bank originated the majority of its residential loan portfolio and commercial loans in the assessment area. Home mortgage data for the evaluation period indicated that 116 of the 133 home mortgages or 87 percent originated in the assessment area. The dollar volume of the home mortgages originated in the assessment area was \$4.2 million or 78 percent.

We sampled 52 commercial loans and found that 48 business loans or 92 percent originated in the assessment area. These loans totaled \$10.8 million and represented 89 percent of the dollar volume.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

- **FNBSB's lending to borrowers of different income levels and business of different sizes is reasonable.**

#### ***North Charleston/Charleston MSA Assessment Area***

FNBSB distribution of home mortgage loans is excellent. We reviewed all home purchase, refinance, and home improvement loans originated during 2005-2007 made within the MSA to determine the bank's distribution of lending to borrowers of different incomes. The bank originated 20 loans (31 percent) to low-income, 16 loans (25 percent) to moderate-income borrowers, 17 loans (27 percent) to middle-income, and 11 loans (17 percent) to upper-income borrowers. Based on dollar volume, the lending activity was 28 percent to low-income, 17 percent to moderate-income, 29 percent to middle-income, and 26 percent to upper-income individuals. Lending to low-and moderate- income individuals exceeds the demographics of 19 percent for low-income and 18 percent for moderate-income.

We sampled 32 commercial loans for the MSA. The bank's overall distribution of commercial loan is reasonable. In terms of commercial loans, the bank made 63 percent of their commercial loans to small businesses (businesses with annual revenues of \$1 million or less) compared to the demographic ratio of 95 percent. Sixty percent of the commercial loans sampled were for amounts less than \$100M.

#### ***Orangeburg County Non-MSA Assessment Area***

FNBSB's distribution of home mortgage loans is satisfactory for this non-MSA AA. We reviewed all home mortgage, refinance, and home improvement loans originated during 2005-2007 within the Non-MSA to determine the bank's distribution of lending to borrowers of different incomes. The bank originated 7 loans (15 percent) to low-income borrowers, 12 loans (25 percent) to moderate-income, 13 (27 percent) to middle-income, and 16 loans (33 percent) to upper-income borrowers. Based on dollar volume, the lending activity was 8 percent to low-income, 18 percent to moderate-income, 31 percent to middle income and 43 percent to upper-income individuals. Lending to low-income individuals was below the 30 percent demographics but lending to moderate-income borrowers exceeded the 17 percent demographics. The lower lending level for low-income borrowers is mitigated by the 25 percent poverty level that makes it difficult for some low-income individuals to qualifying for or maintain a home mortgage.

Our sample included seven commercial loans in Orangeburg County. The bank's overall distribution of commercial loan is reasonable. The bank made 71 percent of their commercial loans to small businesses (businesses with annual revenues of \$1 million or less). Although this is below the demographic ratio of 94 percent, it remains reasonable. Small businesses make up a material portion of the bank's commercial loan portfolio.

### **Geographic Distribution of Loans**

- **The bank's geographic distribution of loans is excellent.**

#### ***North Charleston/Charleston MSA Assessment Area***

Our analysis of the geographic distribution of home mortgage loans extended in the assessment area indicates that 28 loans (41 percent) and 48 percent of the dollar volume were originated in moderate-income tracts. Thirty-eight or 56 percent of the number and 51% of the dollar volume were originated in middle-income tracts. Two loans or 3 percent of the number and 1 percent of the dollar volume were originated in upper-income tracts. The lending in moderate-income census tracts exceeded the demographics of 18% for owner occupied housing in moderate-income census tracts.

Distribution of commercial lending within the AA is reasonable. The bank's lending in moderate-income census tract represents 17% of their commercial lending activity. This is above demographic information, which shows that 16% of the businesses are located in moderate-income census tracts.

#### ***Orangeburg County Non-MSA Assessment Area***

An analysis of geographic distribution is not meaningful for this AA because there are no low- or moderate-income tracts.

### **Responses to Complaints**

The bank had no CRA related Complaints.

### **Fair Lending or Other Illegal Credit Practices Review**

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