



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 18, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of South Carolina
Charter Number 10680

801 Gilway Street
Holly Hill, SC 29059-3421

Office of the Comptroller of the Currency

Carolinas Field Office
212 South Tryon Street - 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 Satisfactory.

The major factors that support this rating include:

- A reasonable loan-to-deposit ratio;
- A majority of loans are in the assessment area;
- An excellent dispersion of loans in the assessment area to borrowers of different income levels and business of different sizes, particularly to small businesses;
- An excellent geographic distribution of loans in the assessment area; and
- There have been no complaints with respect to the bank's CRA performance during this evaluation period.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the bank's performance under small bank examination procedures. In evaluating the bank's lending performance under the lending test, we reviewed home mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), as well as small loans to businesses. The evaluation period for the loan-to-deposit ratio is November 26, 2007, through March 31, 2012. We evaluated the bank's home mortgage and small business loans originated between January 1, 2010 and December 31, 2011.

As part of this CRA evaluation, we tested the bank's publicly filed information for accuracy. We found significant errors in the loan data. The bank was required to correct the errors in both years and resubmit the publicly filed information for only the 2011 year. This evaluation is based on accurate data.

DESCRIPTION OF INSTITUTION

First National Bank of South Carolina (FNBSC) is an intrastate financial institution in South Carolina that operates eight banking offices. The bank opened for business in 1905. FNBSC is a wholly owned subsidiary of First National Bank Corporation (FNBC), a one-bank holding company headquartered in Holly Hill, SC. The bank's main office is also 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.

FNBSC offers a full range of banking products and services. As of March 31, 2012, total assets were \$160 million with net loans representing 49 percent of total assets. The bank's primary loan products are small business and home mortgage loans.

Business lending represents 61 percent of the total loan portfolio with the remaining 39 percent in consumer lending. This loan mix is consistent with FNBSC's overall strategic goals and objectives. Competitors include Farmers and Merchants Bank, Enterprise Bank, South Carolina Bank and Trust, Branch Banking and Trust, and National Bank of South Carolina.

The bank's Tier One capital is \$23 million and their risk-based capital to risk weighted assets equals 27 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 30 banks operating in the Charleston-North Charleston-Summerville metropolitan Statistical Area (MSA) as of June 30, 2011. FNBSC ranked seventeenth in total deposits with just under 1 percent of the market share. For Orangeburg County, FNBSC ranks sixth out of nine 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 November 26, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank has two assessment areas (AAs) located within four contiguous counties. The larger of the two AAs consists of 39 census tracts within the Charleston-North Charleston-Summerville 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 the Orangeburg County AA. The bank's AAs meet the legal requirements of the regulation and do not arbitrarily exclude low- or moderate-income areas.

Charleston-North Charleston-Summerville MSA Assessment Area

The AA consists of 8 moderate-income census tracts (21 percent), 25 middle-income census tracts (64 percent), and 6 upper-income census tracts (15 percent). According to the 2000 US Census data, the population of the MSA is 232,523 with approximately 62,037 families residing in the AA. Demographics indicate that 20 percent of the families are categorized as low-income, 18 percent as moderate-income, 24 percent as middle-income, and 38 percent as upper income. There are 89,583 housing units with owner-occupied units at 66 percent, rental-occupied units at 27 percent, and vacant-housing units at 8 percent in the AA. We evaluated lending to borrowers of different incomes based on the HUD updated MSA median family income of \$62,200.

The Charleston-North Charleston-Summerville MSA assessment area does not include all of the census tracts in Berkley County and Charleston County because inclusion of these entire counties would have been too large for the bank to reasonably serve given the location of the bank's branch offices in the assessment area. The bank's assessment area included the majority of the census tracts in Berkley County. The census tracts located in western portion of the county were not included in the AA.

According to the Bureau of Labor Statistics, as of December 31, 2011, the unemployment rate was at 7.7 percent and lower than the state unemployment rate of 9.6 percent. Major employers for the Charleston-North Charleston-Summerville MSA include Joint base Charleston (area U.S. military commands), Medical University of South Carolina and Charleston/Berkeley/Dorchester County school districts.

Orangeburg County Non-MSA Assessment Area

This AA is comprised of 3 middle-income census tracts 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 overseas. Some of the manufacturing jobs have seasonal lay-offs that tend to inflate the unemployment rate. According to the Bureau of Labor Statistics, as of December 31, 2011, the Orangeburg County unemployment rate was at 13.9 percent and was higher than the state unemployment rate of 9.6 percent. Major employers for the Orangeburg County include Husqvarna, Sara Lee Bakery, The Regional Medical Center, and Zeus Ind. Products.

According to the 2000 Census data, 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 \$47,700.

The Orangeburg County Non-MSA Assessment area does not include the entire county of Orangeburg. The entire county is too large for the bank to reasonably serve given the location of the bank's two branch offices.

As a part of our review, we also incorporated information obtained from local community contacts. The contacts consisted of a local government official and economic development agency. Agencies contacted primarily focused on business recruitment and retainment. From these discussions, we determined that the credit needs were loans for infrastructure, workforce development and downtown revitalization.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is Satisfactory. This conclusion is based upon the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AA. All criteria of the specific lending tests are documented below:

Loan-to-Deposit Ratio

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

The bank's loan-to-deposit ratio is reasonable when compared to the peer group of similarly-sized institutions in South Carolina of 72.31 percent. During the 18 quarter period, the bank's loan-to-deposit ratio ranged from a low of 58.41 percent and a high of 73.89 percent. The peer average ranged from a low 56.80 percent to a high of 85.87 percent.

Lending in Assessment Area

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

The bank originated the majority of its home mortgage loan and business loans inside the assessment area. Home mortgage data for the evaluation period indicated that 69 of the 84 home mortgages or 82 percent originated in the assessment area. The dollar volume of the home mortgages originated in the assessment area was \$8 million or 73 percent. We sampled 48 business loans and found that 38 business loans or 79 percent originated in the assessment area. These loans totaled \$5.8 million and represented 82 percent of the dollar volume.

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

- **FNBSC's lending to borrowers of different income levels and businesses of different sizes reflects excellent penetration.**

Charleston-North Charleston-Summerville MSA Assessment Area

Home Loans

FNBSC's distribution of home mortgage loans is excellent. We reviewed all home purchase, home refinance, and home improvement loans originated during 2010 and 2011 made within the MSA to determine the bank's distribution of lending to borrowers of different incomes. The bank originated 10 loans (21 percent) to low-income families, 11 loans (23 percent) to moderate-income families, 10 loans (21 percent) to middle-income families, and 17 loans (35 percent) to upper-income families. Based on dollar volume, the lending activity was 12 percent to low-income families, 12 percent to moderate-income families, 27 percent to middle-income families and 49 percent to upper-income families. Lending to low-and moderate income families exceeds the

demographic data for low- and moderate-income families of 20 percent and 18 percent, respectively.

Business Loans

We sampled 20 business loans for the MSA. The bank's overall distribution of business loans is excellent. The bank made 75 percent of their business loans to small businesses. Small businesses are businesses with annual revenue of \$1 million or less. This is considered excellent compared to the demographic data that shows 67 percent of the area's businesses are considered small business. Sixty percent of the business loans sampled were for amounts less than \$100,000.

Orangeburg County Non-MSA Assessment Area

Home Loans

FNBSB's distribution of home mortgage loans is reasonable for this non-MSA AA. We reviewed all home purchase, refinance, and home improvement loans originated during 2010 and 2011 made within the Non-MSA to determine the bank's distribution of lending to borrowers of different incomes. The bank originated 1 (10 percent) to low-income families, 2 (20 percent) to moderate-income families, 3 (30 percent) to middle-income families and 4 (40 percent) to upper-income families. Based on dollar volume, the lending activity was 19 percent to low-income families, 4 percent to moderate-income families, 13 percent to middle-income families, and 63 percent to upper-income families. Lending to low-income borrowers was below the demographic of 30 percent demographic data, but lending to moderate-income borrowers exceeded the 17 percent demographic data. The lower lending level for low-income can be explained by the 25 percent poverty level and high unemployment rate of 13.9 percent that makes it difficult for some low-income individuals to qualify for or maintain a home mortgage.

Business Loans

Our sample included eighteen business loans in Orangeburg County. The bank's overall distribution of business loans is excellent. The bank made 95 percent of their business loans to small businesses. Small businesses are businesses with annual revenue of \$1 million or less. This is considered excellent compared to the demographic data that shows 70 percent of the area's businesses are considered small business. Forty-four percent of the business loans sampled were for amounts less than \$100,000.

Geographic Distribution of Loans

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

Charleston-North Charleston-Summerville MSA Assessment Area

Home Loans

The bank's geographic distribution of home loans in the AA reflects excellent dispersion. Our analysis of the geographic distribution of home mortgage loans extended in the assessment area indicates that 11 loans or 19 percent of the number and 9 percent of the dollar amounts were originated in moderate-income tracts. Forty-six loans or 78 percent of the number and 86 percent of the dollar volume were originated in middle-income tracts. Two loans or 3 percent of the number and 4 percent of the dollar volume were originated in upper-income tracts. The lending in moderate-income census tracts exceeded the demographics of 17 percent for owner-occupied housing in moderate-income census tracts.

Emphasis was placed on moderate-income level census tracts since there are no low-income level census tracts in the AA.

Business Loans

The bank's geographic distribution of business lending within the AA reflects excellent dispersion. The bank's lending in moderate-income census tract represents 25 percent of their business lending activity. This is above demographic information, which shows that 12 percent of the businesses are located in moderate-income census tracts.

Emphasis was placed on moderate-income level census tracts since there are no low-income level census tracts in the AA.

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.