

SMALL BANK

PUBLIC DISCLOSURE

March 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FirstBank, N.A.
Charter # 22834
1121 Boundary Street
Beaufort, South Carolina 29902**

**Office of the Comptroller of the Currency
Southeastern District, Atlanta Georgia
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 **FirstBank N.A.** prepared by **The Office of the Comptroller of the Currency**, as of March 29, 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 bank's performance was reviewed for the period of December 31, 1995 to March 29, 1999.
- < The average loan-to-deposit ratio is substantial.
- < A significant majority of loans and lending activities are within the institution's assessment area.
- < The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low-and moderate-income, and businesses of different sizes.

The following table indicates the performance level of First Bank N.A. with respect to each of the five performance criteria.

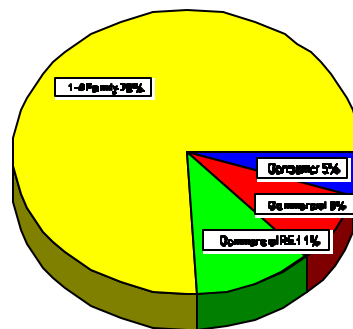
SMALL INSTITUTION ASSESSMENT CRITERIA	FIRSTBANK N.A. PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received.		

DESCRIPTION OF INSTITUTION

FirstBank N.A. is headquartered in, and serves the communities within Beaufort County in South Carolina. In addition to the main office in Beaufort, branch offices are located on Lady's Island and in Bluffton, South Carolina. The bank converted to a national bank on November 1, 1995 and is a member of a two-bank holding company, FirstBancorporation, Inc. The affiliate bank in the holding company is FirstBank of the Midlands N.A. located in Columbia, South Carolina. Holding company assets are approximately \$120 million.

As of December 31, 1998 assets averaged \$100 million, with total deposits of \$85 million. Gross loans at \$82 million and represent 83% of total assets. Loans are originated primarily for 1-4 family residential and real estate lending purposes. The loan portfolio is comprised of the following:

Loans Outstanding



Since the prior evaluation, mortgage loans originated totaled \$41.9 million in 1996, \$44.8 million in

1997, \$67.3 million in 1998, and \$9.1 million for the first 2 months of 1999. Of the \$163 million originated during this period, \$47 million was sold to the secondary market. There are no financial or legal impediments restricting the lending activities of the bank. Performance was found to be "Satisfactory" at the previous evaluation conducted during March 1996 as of December 31, 1995.

DESCRIPTION OF ASSESSMENT AREA

FirstBank has defined its assessment area as 14 adjacent census tracts in Beaufort County in South Carolina. This area is not within a Metropolitan Statistical Area. The bank's assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low or moderate income areas. Based on 1990 census figures, and the 1998 HUD Updated MSA Median Family Income level of \$35,900, the census tracts breakdown is as follows:

Income

Households

	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Low	0	0%	0	0%
Moderate	1	7%	1,053	5%
Middle	10	71%	15,962	79%
Upper	3	21%	3,205	16%

Beaufort County is one of the fastest growing counties in the State of South Carolina. The county is in the "Lowcountry" of SC and includes 64 major islands and hundreds of smaller islands. The local economy is supported by military, tourism, and influx of retirees relocating to the area. The economic impact of local military bases is significant and contributes \$205 million in annual county payroll. Tourism, when measured in 1993, brought an estimated \$1.6 million to the county in expenditures and development, generating \$470 million in wages and \$54 million in tax revenues. Tourism is also responsible for new capital investments of over \$144 million. Population is projected to increase from 1990 census figures at 86,425 to 118,337 in 2000. Unemployment is low at 2%.

Service industries to support tourism and the military and are the largest employers in the county. There is very little manufacturing in the county and no high-tech industries as skilled labor and transportation are limited. Real estate development continues to be strong to support both local population growth and resort development.

The bank's assessment area is served by numerous financial institutions. These include Bank of America, BB&T, First Citizens, Regions, Wachovia, and Palmetto Savings Bank. Other major local financial competitors include the MCAS Beaufort Federal Credit Union and the Navy Federal Credit Union.

One governmental representative was contacted to obtain information on community credit needs. The contact stated that affordable and available housing are needed as the area experiences rapid growth. According to the contact the bank is active in supporting community development and participates in local projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The average quarterly loan-to-deposit ratio for the period from December 31, 1995 to December 31, 1998 at 95% is well above the level of peer banks at 71%. Though down slightly from the level of 99% at the previous evaluation, this well exceeds the standards for satisfactory performance.

Lending in the Assessment Area

A substantial majority of the bank's lending is within its defined assessment area. A sample of 155 residential mortgage loans indicated 92% of the number of loans, and 95% of total loan dollars are originated within the assessment area. This exceeds the standard for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Lending to borrowers of various income levels and business revenue sizes was reasonable and showed good penetration of all income levels. To evaluate lending to borrowers of different incomes, a sample of 125 consumer mortgage loans were reviewed.

A summary of findings is provided in the following chart:

Family Income Level	Number of Loans		Loan Dollars (\$000)		Assmt Area Composition
	<i>number</i>	<i>percent</i>	<i>amount</i>	<i>percent</i>	<i>percent</i>
Low	1	1%	\$ 36	1%	19%
Moderate	6	6%	410	3%	16%
Middle	24	19%	5,116	27%	22%
Upper	94	75%	13,380	70%	42%

Although the bank's lending patterns appear low when compared to the percentages of families in the low- and moderate-income categories, this distribution is reasonable when consideration is given to the demographics of the bank's assessment area. Specifically, the bank receives very few residential mortgage applications from low or moderate income individuals. This is due primarily to the lack of affordable housing in the Beaufort county area. In addition, rental and mobile homes comprise 32% and 26% of total housing units in the assessment area respectively. FirstBank does not offer mobile home financing but does participate in special program lending to provide affordable housing loans. These include Veterans Administration, and Farmer's Home Administration. The 1998 HUD Updated Median Family Income level of \$35,900 was used to define income levels.

Lending to businesses of various sizes was found to be reasonable. We reviewed all commercial loans originated during 1998. Results indicated that commercial loans are made primarily to small business with a significant majority (92%) of loans originated for less than \$100,000. Loans in amounts from \$1,500 to \$200,000 were made to businesses of different sizes for various purposes with the average loan size: \$41,000. Lending to small businesses, those with less than \$1 million in revenues, represented 88% of the number of loans and 82% of loan dollars originated in 1998.

Geographic Distribution of Loans

Distribution of credit throughout the various census tracts within the bank's assessment area was found to be reasonable. Geographic distribution was tested using a sample of 77 loans originated within the assessment since the previous examination. Results indicated the following:

<i>Census Tract</i>	<i>Assessment Area Composition</i>	<i>Number of Loans</i>	<i>Dollar Amount of Loans</i>
<i>Low</i>	0%	0%	0%
<i>Moderate</i>	7%	5%	3%
<i>Middle</i>	71%	60%	52%
<i>Upper</i>	22%	35%	45%

Review of Complaints

The bank has received no CRA complaints during the evaluation period.

Other

Our fair lending review disclosed no violations of the substantive provisions of anti-discrimination laws and regulations.