



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 05, 2008**

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

Williamsburg First National Bank  
Charter Number 15589

200 West Main Street  
Kingstree, SC 29556

Office of the Comptroller of the Currency

Carolinas Field Office  
6100 Fairview Road Suite 1154  
Charlotte, NC 28210-3277

**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.**

Williamsburg First National Bank (WFNB) performance rating is supported by the following factors:

- A more than 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;
- A good geographic distribution of loans in the assessment area, and
- No CRA related 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 January 1, 2003 through December 31, 2007. The evaluation period for HMDA and commercial loans was January 1, 2006 through December 31, 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**

WFNB is an intrastate financial institution in South Carolina and operates four banking offices. The bank has operated in Williamsburg County since 1958. WFNB is a wholly owned subsidiary of WFNB Bankshares, Inc (WFNBB), a one-bank holding company headquartered in Kingstree. The main office is located in Kingstree in a middle-income census tract. The bank has another office in Kingstree located in a moderate-income census tract, one office in Hemingway in a moderate-income census tract, and one office in Florence located in a middle-income census tract.

WFNB offers a full range of banking products and services. As of December 31, 2007, total assets were \$130 million with net loans representing 69 percent of total assets.

The bank's primary loan products are commercial and residential mortgage loans.

Commercial lending represents 53 percent of the total loan portfolio with 32 percent in residential mortgage lending, 10 percent in consumer lending, and 5 percent related to farmland and agricultural production. This loan mix is consistent with WFNB's overall strategic goals and objectives that primarily focused on commercial and residential lending.

The bank's Tier 1 capital is \$14 million and their risk-based capital to risk weighted assets equals 17 percent. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment areas.

Competition is strong for the Florence AA. There are 16 financial institutions with banking offices in the AA. Competitors include several community banks, branches of two multinational banks, and offices of regional banking companies. Additional competitors include credit unions and finance companies. According to the Federal Depository Institution Corporation's Market Share Report, as of June 30, 2007, WFNB ranked sixteenth out of sixteen banks with total deposits representing only 0.15 percent of the market share. WFNB entered the Florence market in June of 2005. For Williamsburg County, WFNB ranks first out of five banks in that market and has a little over 33 percent of the market share. Competitors include four local community banks in Williamsburg County, as well as finance companies and credit unions. WFNB 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 two contiguous counties. The larger of the two AAs consists of 29 census tracts within Florence County that is part of the Florence Metropolitan Statistical Area (MSA). The second AA is comprised of ten census tracts located in the non-MSA area of Williamsburg County. The bank's assessment areas meet the legal requirements of the regulation and do not arbitrarily exclude low- or moderate-income areas.

### ***Florence County MSA Assessment Area***

The 29 census tracts include one low-income tract (3 percent), 6 moderate-income census tracts (21 percent), 16 middle-income census tracts (55 percent), and 6 upper-income census tracts (21 percent). The population of the Florence County is 125,761 with approximately 34,120 families residing in the AA. Demographics indicate that 22 percent of the families is categorized as low-income, 16 percent as moderate-income,

20 percent as middle-income, and 42 percent as upper income. There are 51,836 housing units with owner-occupied units at 66 percent, rental-occupied units at 28 percent, and vacant-housing units at 9 percent in the AA. We evaluated lending to borrowers of different incomes based on the updated median family income of \$48,000.

As of December 31, 2007, the unemployment rate was at 6.9 percent and slightly higher than the state unemployment rate of 6.6 percent. The top five employers for the Florence County MSA are McLeod Regional Medical Center, Florence Public School District #1, QHG of SC Incorporated, Honda of South Carolina Manufacturing Incorporated, and Wal-Mart Associates Incorporated.

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

The 10 census tracts include 7 moderate-income census tracts (70 percent) and three middle-income census tracts (30 percent). There are no low-or upper income tracts. The loss of manufacturing jobs has hampered the economy of Williamsburg County. Major employment sectors are manufacturing (26percent) and educational, health and social services (20 percent). As of December 31, 2007, the Williamsburg County unemployment rate was high at 10.6 percent compared to the state unemployment rate of 6.6 percent. The top five employers for Williamsburg County are Williamsburg County School District, Allegiance Healthcare Corporation, Williamsburg County, Department of Justice, and Martek Biosciences Corporation.

The population of the AA is 37,317 with 10,074 families. Demographics indicate that 33 percent of the families is categorized as low-income, 18 percent as moderate-income, 20 percent as middle-income, and 29 percent as upper-income. Total housing units are 15,552 with owner-occupied at 71 percent, rental-occupied at 17 percent, and vacant housing units at 9 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 agencies primarily focused on business development. From these discussions, we determined that the credit needs were loans for small business owners, autos, education, home improvement, and affordable housing.

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

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

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

The quarterly average loan-to-deposit ratio is reasonable at 77 percent and exceeds the 74 percent peer bank average for a local and similarly situated bank.

### **Lending in Assessment Area**

- **A majority of WFNB'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 201

of the 391 home mortgages or 51 percent originated in the assessment area. The dollar volume of the home mortgages originated in the assessment area was \$20 million or 78 percent of the dollar volume.

We sampled 50 commercial loans and found that 42 business loans or 84 percent originated in the assessment area. These loans totaled \$6 million and represented 67 percent of the dollar volume.

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

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

#### ***Florence County MSA Assessment Area***

WFNB distribution of home mortgage and commercial loans is reasonable considering the bank's low market share of deposits and short length of operations in the market. We reviewed all home purchase, refinance, and home improvement loans originated during 2006-2007 made within the MSA to determine the bank's distribution of lending to borrowers of different incomes. The bank originated 5 loans (4 percent) to low-income, 15 loans (13 percent) to moderate-income borrowers, 21 loans (18 percent) to middle-income, and 75 loans (65 percent) to upper-income borrowers. Based on dollar volume, the lending activity was 2 percent to low-income, 10 percent to moderate-income, 10 percent to middle-income, and 78 percent to upper-income individuals. Lending to low-and moderate- income individuals was below demographics of 22 percent for low-income and 16 percent for moderate-income.

We sampled 25 commercial loans in Florence County. The bank's overall distribution of commercial loan is reasonable. In terms of commercial loans in the sample, the bank made 84 percent of their commercial loans to small businesses (businesses with annual revenues of \$1 million or less) compared to the demographic ratio of 93 percent. Seventy-six percent of the commercial loans sampled were for amounts less than \$100M.

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

WFNB'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 2006-2007 within the Non-MSA to determine the bank's distribution of lending to borrowers of different incomes. The bank originated eight loans (19 percent) to low-income borrowers, eight loans (19 percent) to moderate-income, 9 (22 percent) to middle-income, and 17 loans (40 percent) to upper-income borrowers. Based on dollar volume, the lending activity was 4 percent to low-income, 20 percent to moderate-income, 19 percent to middle income and 57 percent to upper-income individuals. Lending to low- income individuals was below the 33 percent demographics but lending to moderate-income borrowers exceeded the 18 percent demographics. The lower lending level for low- income borrowers is mitigated by the 29 percent poverty level that

makes it difficult for some low-income individuals to qualifying for or maintain a home mortgage.

Our sample included 14 commercial loans in Williamsburg County. The bank's overall distribution of commercial loan is reasonable. The bank made 93 of their commercial loans to small businesses (businesses with annual revenues of \$1 million or less). This level of lending is the same as the demographic level of 93 percent.

### **Geographic Distribution of Loans**

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

#### ***Florence County MSA Assessment Area***

Our analysis of the geographic distribution of home mortgage loans extended in the assessment area indicates that three loans or 2 percent of the number and 1 percent of the dollar volume were originated in low-income tracts. Twenty-seven loans or 17 percent and 9 percent of the dollar volume were made to moderate-income tracts. Ninety-one or 58 percent of the number and 50 percent of the dollar volume were originated in middle-income tracts. Thirty-five or 22 percent of the number and 40 percent of the dollar volume were originated in upper-income tracts. The lending in low- and moderate-income census tracts exceeded the demographics of 1 percent and 16 percent for owner occupied housing in moderate-income census tracts.

Distribution of commercial lending within the AA is reasonable. We sampled 25 commercial loans in Florence County. Eighteen percent of the loans sampled were in the low-income tract. The bank's lending in moderate-income census tract represented 12 percent of the sample. This level of lending to businesses in the low-income census tract exceeds the demographics of 3 percent while the lending to businesses in moderate-income tracts was below demographic information of 24 percent. This distribution of lending is reasonable considering the bank's short period of operation in the Florence market.

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

There are no low- or upper-income census tracts in this AA. The bank originated 30 loans or 67 percent of the number in moderate-income income census tracts and 69 of the dollar volume. This performance is near the 72 percent demographics.

Distribution of commercial lending within the AA is reasonable. We sampled 14 commercial loans in Williamsburg County. Fifty percent of the loans sampled were in moderate-income tracts and this performance is near the demographic of 66 percent.

### **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.