



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

July 25, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Florence National Bank
Charter Number 23550**

**181 East Evans Street
Florence, SC 29506**

**Comptroller of the Currency
Carolinas (Charlotte)
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.

- The institution's loan-to-deposit ratio is more than reasonable.
- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans to businesses of different sizes among various geographies reflects a reasonable dispersion throughout the assessment area.
- There were no violations of the substantive provisions of the antidiscrimination laws or regulations identified.
- The bank has not experience any CRA related complaints.

DESCRIPTION OF INSTITUTION

Florence National Bank is a one-branch institution, located in Florence, South Carolina. The bank opened for business on July 6, 1998. The main office is located in a middle-income census tract and has an ATM. Florence National Bank is a wholly owned subsidiary of Community Bankshares, Inc., a four-bank holding company with total assets of \$556 million as of December 31, 2005. Community Bankshares, Inc. is headquartered in Orangeburg, South Carolina.

As of December 31, 2005, Florence National Bank had total assets of \$79 million with gross loans representing 93% of total assets. The loan portfolio types include 72% Commercial, Industrial and Non-farm, Non-residential Real Estate Loans, Construction; 25% 1-4 Family Residential, Home Equity; and 3% Consumer Loans. The loan mix is more heavily concentrated among the commercial loan categories, consistent with the institution's overall strategic goals and objectives. We determined that the volume of home mortgage related loans originated during the assessment period was not sufficient to provide for a meaningful analysis of home mortgage related lending. Given that the bank is primarily a commercial lender and has a limited number of home mortgage related originations, our evaluation is based solely on the analysis of a sample of commercial loans.

This review disclosed no financial or legal impediments restricting the bank's lending activities. The bank's volume of originations during our assessment period, from January 3, 2003 through December 31, 2005, included 911 loans totaling \$91.2 million.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank has designated the Florence County Metropolitan Statistical Area (MSA) as its assessment area. Within the Florence County MSA, there is one low-income census tract that equals 3% of the total number of census tracts within the bank's assessment area. There are six moderate-income census tracts that comprise 21% of the total number of census tracts. There are 16 middle-income tracts that represent 55% of the total number of census tracts, and six upper-income tracts that represent 21% of the total tracts within the assessment area. The 2000 census reported the population within the MSA at 125,761.

Within the Florence County MSA, 3% of the businesses are located in low-income census tracts and 24% are located in moderate-income census tracts. Businesses located in middle- and upper-income census tracts represent 48% and 25%, respectively.

The bank's assessment area is diversified with major industries relating to the medical field, including two regional hospitals and a large pharmaceutical operation. Florence is also home to several manufacturing entities, a sizable retail market, and city/county government. Florence County also benefits from investment in the area by international corporations that have contributed to continued job creation for the area.

Competition in the bank's assessment area is extensive and includes several community banks, branches of regional institutions, credit unions, and finance companies. The bank's main competitors are branches of regional banks as well as the new community banks that have entered the local market.

As part of our review, we also incorporated information obtained from two local community contacts. The contacts included an economic development company and a local community funding organization. These contacts indicate a need for local banks to:

- Work with local non-profit organizations to provide financing for housing projects.
- Provide credit counseling and budget management to tenants through existing programs and services.
- Work with various non-profit organizations to educate consumers regarding credit.
- Develop an in-school education program that would teach middle and high school students the importance of personal finance.
- Work with private developers to increase low- and moderate-income housing projects.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable. The quarterly average loan-to-deposit ratio was 98% since the last evaluation. The ratio exceeds the quarterly peer bank average of 73%.

Lending in Assessment Area.

Commercial Loan Origination Analysis

The bank extends a majority of its commercial loans within the assessment area. Based on a sample of business loans originated from January 1, 2003 through December 31, 2005, the bank extended 77% of the number of loans and 75% of the dollar volume to businesses within the bank's assessment area.

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

Small Business Lending

We found that the institution's distribution of lending among businesses of different sizes reflects a reasonable dispersion of commercial loans throughout the assessment area. Based on a random sample of 75 commercial loans originated during the evaluation period, the bank originated 58 loans totaling \$12.6 million to small businesses in the assessment area, representing 77% of the number of loans and 75% of the dollar volume of the sample. Small businesses are defined as companies with gross annual revenues of \$1 million or less. The bank's lending pattern compares favorably to business demographics for the assessment area that indicate 62.73% of the commercial businesses generate revenues under \$1 million.

In addition, the bank makes small loans of \$100,000 or less to businesses. Our loan sample included 58 loan originations to small businesses in the assessment area with 42 or 72% of these loans originated at or below \$100,000.

Small Farm Lending

The bank does not actively pursue agricultural lending. Due to the insignificant volume of farm lending, no analysis of agricultural loans was performed.

Geographic Distribution of Loans

The geographic distribution of business loans within the bank's assessment area is reasonable. The following table illustrates the bank's penetration throughout the assessment area. The bank's penetration compares favorably to business demographics for the MSA that indicate 3% of the businesses are located in low-income census tracts while 24% are located in moderate-income census tracts. Of the remaining businesses in the assessment area, 48% are located in middle-income tracts and 25% in upper-income census tracts. Loan originations to businesses located in the low-income census tract meets MSA demographics by the number of originations but is below demographics for the dollar volume of originations. The number of loans in moderate-income tracts was near demographics while dollar volume was below demographics. The loan distribution in low-and moderate- income census tracts is reasonable given increased loan activity in these tracts since the last evaluation.

2003-2005 Business Originations				
Census Tracts	# of Loans	% of Origination	\$ of Loans	% of Origination
Low	2	3%	110,120	1%
Moderate	10	16%	857,406	7%
Middle	20	32%	3,965,467	31%
Upper	31	49%	7,890,876	61%

Responses to Complaints

Florence National Bank has received no consumer complaints related to their Community Reinvestment Act Performance during the assessment period.

Institution's Record of Complying with the Anti-discrimination Laws.

We found no evidence of illegal discrimination or other illegal credit practices.