



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

April 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Conway National Bank
Charter Number #10536**

**Box 320
Conway, South Carolina 29526**

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Carolinas Field Office
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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.

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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 **The Conway National Bank** (CNB) prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 27, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory ".

The factors supporting the bank's overall rating include:

- ▶ a high percentage (94%) of the bank's loans are made within the assessment area;
- ▶ majority (98%) of the bank's small business and small farm loans are centered in smaller credits to smaller entities;
- ▶ bank originates more small business and small farm loans than any of its competitors and is the fourth leading originator of HMDA reportable loans in the assessment area;
- ▶ a reasonable level of community development lending activity;
- ▶ a reasonable geographic distribution of all loans within the assessment area;
- ▶ a reasonable distribution of loans among borrowers of different income levels; and,
- ▶ delivery systems are reasonably accessible to areas and individuals of different income levels;

The following table indicates the performance level of CNB with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>The Conway National Bank.</u>		
	PERFORMANCE TESTS		
	Lending Test¹	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

¹ The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

As of December 31, 1997, CNB had total assets of \$381 million, which represents a 17.5 % increase since the last CRA evaluation. Through the same date, CNB reported a net income of \$4.8 million for the year, which represents a return on average assets of 1.29%. CNB's main office is located in Conway, South Carolina and the bank is the single subsidiary of Conway National Bank Corporation. The bank operates nine offices and eight ATMs in Horry County, which includes Conway and the Myrtle Beach area. As of 12/31/97 the bank enjoyed a 13% market share of deposits in the assessment area, which represents the number 2 position, among 18 financial institutions in Horry County.

The bank's loan portfolio on 12/31/97 totaled \$222 million which represents approximately 58 percent of the bank's assets. The loan-to-deposit ratio of 72% is slightly lower than state and national peer banks. A breakdown of loans by type determined from the bank's Report of Income and Condition as of December 31, 1997 is presented in the following table.

Types of Loans Outstanding
December 31, 1997
\$ (000's)

Type of Loan	Amount	Percent of Loan Portfolio
Residential Real Estate	\$78,550	35.4%
Farm & Farmland	2,803	1.3%
Commercial & Commercial Real Estate	109,385	49.4%
Consumer	30,983	13.9%
Total	\$221,721	100%

There are no known legal or financial impediments that limit CNB's ability to help meet the communities' credit needs. This bank can help meet these needs consistent with its size, financial condition and product offerings. Competition continues to be provided from local, larger regional, and multinational institutions. Primary competitors are The Anchor Bank, Peoples Federal Savings and Loan, Wachovia Bank-South Carolina, Coastal Federal Savings and Loan, Nationsbank, N.A., and National Bank of South Carolina.

DESCRIPTION OF ASSESSMENT AREA (AA)

CNB's defined AA is the entire county of Horry, the largest county in land area for the state of South Carolina. The AA includes the Metropolitan Statistical Area of Myrtle Beach and consists of 39 census tracts. According to 1990 census information, 1 of the geographies was low income, 6 moderate, 24 middle, and 8 upper income. As of 1990, the population of Horry County was approximately 144 thousand. The Census Bureau projects this to increase to 206 thousand by the Year 2000 and to 289 thousand by the Year 2010. The AA meets regulatory guidelines and does not arbitrarily exclude any low-or moderate income areas.

ASSESSMENT AREA DEMOGRAPHICS			
Designation	# Census Tracts	% of Total Tracts	% of Families in the Census Tracts
Low	1	3%	2%
Moderate	6	15%	14%
Middle	24	62%	69%
Upper	8	20%	15%
TOTAL	39	100%	100%

Conway, the county seat of Horry County, is located 14 miles from Myrtle Beach. The area is a major U.S. beach and golf resort area and the local economy is highly dependent upon the tourism industry. However, manufacturing, education, agriculture, timber and health care are also significant forces in the area. Wholesale trade, services, government, and construction are also significant employers. The unemployment rate as of 3/31/98 was at an all time low of 2.7 percent. About 13% of the resident population is retired.

Based on the 1990 census data, approximately 42% of the housing stock in the AA is owner occupied. The percentage of vacant housing is high at 38%, but this is due to many seasonally occupied homes in the area. The average cost of a home in the area is \$131 thousand, an increase of 30 percent since 1990. The 22 percent of housing stock in rental units has an average monthly rent of \$580, an increase of 42 percent since 1990. Mobile homes constitute 20% of all housing stock.

The identified credit related needs in the bank's assessment areas include the following:

- Affordable housing (i.e. single family rental, multifamily rental, home ownership, and rehabilitation) for low income individuals.
- Small business loans. According to community contacts, very small business loans (amounts of \$10,000 or less) are especially needed for newly established or proposed businesses.
- Small consumer loans with loan amounts of \$1,000 or less.

These credit related needs were determined through discussions with bank management and two community contacts who represented local government and economic development agencies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Scope of Review

CNB's last CRA public evaluation was dated April 26, 1996 and covered the period from January 1, 1994 through December 31, 1995. This review covers CNB's performance from January 1, 1996 through December 31, 1997. In assessing CNB's lending performance, we focused our review on small business - farm, HMDA, and consumer loans. See the Appendix of this report for a definition of terms used within this public evaluation.

Lending Test

Lending Activity

CNB's level of lending is considered good and responsive to identified credit needs. In 1997, CNB originated 3,229 (\$124.9 million) small business-farm loans, 519 HMDA (\$32 million) , and 281 (\$179 thousand) very small consumer loans within its assessment area. Of all HMDA loans originated in 1996, 38% were for home purchases, 12% for home improvement, and 50% were refinances. In 1997 the distribution was approximately the same, with home purchases accounting for 40% of all HMDA loans. *Tables 2, 3, and 4* detail CNB's volume of HMDA and small business - small farm loans within the bank's assessment areas.

Assessment Area Concentration

Table 1 indicates a substantial majority of CNB's loans were made within its assessment areas. In 1996 and 1997 approximately 93% and 94% of all real estate and small business- farm loans made by the bank were originated within the bank's assessment areas.

Table -1				
Ratio of Loans Inside the Bank's Assessment Area				
	Real Estate		Small Business - Farm	
	1996	1997	1996	1997
# of Loans Inside Assessment Area	2,045	2,013	2,045	2,013
% of Loans Inside Assessment Area	93%	94%	93%	94%

Source: Small Business Data Collection Register, and Consumer Loan Data Register

Geographic Distribution of Loans

Although the bank is making loans in all geographies within its assessment area, CNB's geographic distribution of small business, farm, and HMDA loans reflected a low penetration throughout low and moderate income geographies. The low penetration of moderate income geographies is centered in the five census tracts in the northeastern part of the county. The primary reason for this is the fact that the bank has no offices in this area. Four of these tracts are sparsely populated and the fifth, located in the town of Loris is adequately served by 4 financial institutions. The remaining moderate tract is located in the heart of the business district of Myrtle Beach, where the bank has made a reasonable number of small business loans.

Table 2 compares the bank's level of small business loans with the proportionate number of businesses operating in the type of geography. In 1997, 2% and 4% of CNB's loans were originated in low and moderate income geographies, respectively. The penetration is considered adequate for low income and low for moderate income geographies when compared to the percentage of businesses located in low (1%) and moderate (15%) income geographies and the fact that the bank does not have any branches in the previously mentioned tracts. In 1996, 42% of all small business loans in the AA were originated by CNB. Among all lenders in the AA, CNB originated 74% of the small business loans made in the area's only low income tract. CNB originated only 13% of all small business loans in the moderate tracts, however, this is due to the fact CNB has no offices in the northeastern section of the county, where 5 of the 6 moderate tracts are located.

Table -2 Geographic Distribution of Small Business Loans									
Tract Income Level	% of Business by Location	Distribution of Loans by Location							
		1996				1997			
		#	%	\$ (000's)	%	#	%	\$ (000's)	%
Low Income	1%	65	2%	\$1,929	2%	72	2%	\$3,289	3%
Moderate Income	15%	118	4%	6,398	6%	123	4%	5,737	5%
Middle Income	58%	2,163	78%	73,362	73%	2,359	79%	90,745	76%
Upper Income	26%	461	16%	19,285	19%	429	14%	19,672	16%
Total	100%	2,807	100%	\$100,974	100%	2,983	100%	\$119,443	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 3 compares the bank's level of small farm loans with the proportionate number of farms operating in the type of geography. In 1996 and 1997, 1% and 4% of CNB's loans were originated in low and moderate income geographies, respectively. The penetration is considered adequate for low income geographies and low for moderate income geographies when compared to the percentage of farms located in low (2%) and moderate (18%) income geographies. In 1996, 43% of all small farm loans in the AA were originated by CNB. Among all lenders in the AA, CNB originated only 5% of the small - farm loans made in the area's low and moderate income tracts, however, this is due to the fact CNB has no offices in the northeastern section of the county, where 5 of the 6 moderate tracts are located.

Table -3 Geographic Distribution of Small Farm Loans									
Tract Income Level	% of Farms by Location	Distribution of Loans by Location							
		1996				1997			
		#	%	\$ (000's)	%	#	%	\$ (000's)	%
Low Income	2%	1	1%	\$2	nil	2	1%	\$12	nil
Moderate Income	18%	10	5%	108	3%	10	4%	92	2%
Middle Income	69%	184	92%	3,424	92%	224	91%	4,463	80%
Upper Income	11%	4	2%	205	5%	10	4%	987	18
Total	100%	199	100%	\$3,739	100%	246	100%	\$5,554	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 4 compares the bank's level of HMDA loans to the proportionate percentage of owner occupied housing units by type of geography. In 1997, 3% of HMDA loans were originated in low income geographies. The penetration is considered reasonable, given 45% of households that reside in low income geographies live below the poverty level and 3% of all owner occupied housing units are located in these geographies. The penetration is low for moderate income geographies (4%) when compared to the percentage (15%) of owner occupied housing units located in these geographies. In 1996, CNB originated 2.48% of all HMDA loans made in the low-moderate income tracts for all lenders. Although this is low, the housing needs of these areas are being met by other financial institutions which have offices in those areas.

<p>Table - 4 Distribution of HMDA Loans by Census Tract Income Designation</p>

Tract designation	Owner Occupied Housing By Tract	1996				1997			
		%	#	%	\$ 000's	%	#	%	\$ 000's
Low Income	2%	11	2%	365	2%	15	3%	536	2%
Moderate Income	14%	18	4%	627	3%	22	4%	935	3%
Middle Income	69%	382	80%	17,494	72%	422	81%	26,261	82%
Upper Income	15%	65	14%	5,622	23%	60	12%	4,354	13%
N.A.'s	0%	0	0%	0	0	0	0	0	0%
Total	100%	476	100%	\$24,108	100%	519	100%	\$32,086	100%

Source: FFIEC 1996 HMDA data, 1997 HMDA Loan Application Register, and 1990 Census Data - U.S. Bureau of the Census

Loan Distribution by Borrower Income

CNB's distribution of loans to businesses and farms of different sizes was good. The bank's distribution of HMDA loans was generally reasonable.

Table 5 reflects the distribution of the bank's loans made to small businesses and small farms. In 1996 and 1997, 93% and 91%, respectively, of these type loans, were for amounts of \$100,000 or less. Of all loans originated in 1996 in the AA, among all lenders, CNB originated 42% of these size loans. In 1996 and 1997, 98% of small business - farm loans were made to businesses and farms that had gross revenues of less than \$1,000,000. In 1996, 48% of all small business-farm loans made to these size businesses, were made by CNB. This indicates CNB has a good record of serving the credit needs of small businesses and farms.

Table - 5 Distribution of Small Business - Farms Loans by Loan Size								
Loan Size	1996				1997			
	#	%	\$(000)	%	#	%	\$(000)	%
Less than \$100,000	2,792	93%	\$53,954	52%	3,179	91%	\$63,421	45%
Between \$100,000 and \$250,000	147	5%	22,498	21%	203	6%	32,596	23%
Greater than \$250,000	67	2%	28,261	27%	94	3%	43,839	32%
Total	3,006	100%	\$104,713	100%	3,476	100%	\$139,856	100%
Loans to small business- farms with revenues < \$1 million	2,939	98%	\$95,534	91%	3,410	98%	\$129,089	92%

Source: Small Business Data Collection Register

Table 6 compares CNB's HMDA lending to borrowers of different income levels to the proportional number of families in each income level. In 1996 and 1997, CNB originated 6% and 9% respectively, of its HMDA loans to low income individuals. Nineteen percent of all families are considered low income. The bank's loan distribution is reasonable given that 14% of the population in the assessment area live below the poverty level. This high poverty rate would severely hamper an individual's ability to qualify for a home loan. In 1996 and 1997, CNB originated 19% and 13% respectively, of its HMDA loans to moderate income individuals. This distribution is considered reasonable when compared to the percentage (19%) of moderate income families within the bank's assessment areas. In 1996, CNB originated 5.46% of all HMDA loans by all lenders in the AA, to low-moderate income individuals.

Table - 6 Distribution of HMDA Loans by Borrower Income Level									
Income Level	% of Families in Assessment Area	1996				1997			
		#	%	\$ 000s	%	#	%	\$ 000s	%
Low Income	19%	27	6%	318	1%	44	9%	1,061	3%
Moderate Income	19%	88	19%	2,333	10%	69	13%	1,871	6%
Middle Income	23%	105	22%	3,396	14%	103	20%	5,340	17%
Upper Income	39%	226	47%	16,809	70%	267	51%	21,265	66%
Not Available	0%	30	6%	1,252	5%	36	7%	2,549	8%
Total	100%	476	100%	\$24,108	100%	519	100%	\$32,086	100%

Source: FFIEC 1996 HMDA data, 1997 HMDA Loan Application Register, and 1990 Census Data - U.S. Bureau of the Census

Community Development Lending

In addition to some loans already reported in small business credits, CNB has made a \$2.5 million community development loan to the City of Conway. The purpose of this loan is to provide funding for the redevelopment of a portion of the city which has been designated as a "blighted area". Specifically, the redevelopment plans include roadway and thoroughfare improvements, infrastructure improvements, construction of a recreation/ community center and a new police substation. The redevelopment project is located in the only low income census tract within the bank's assessment area.

Flexible or Innovative Lending Practices

During 1996 CNB initiated a reduced rate and extended terms mobile home loan program, targeted at low income individuals. This resulted in 5 loans totaling \$85,098 to low income individuals and 12 loans totaling \$160,329 to moderate income individuals for the purpose of purchasing mobile homes.

Investment Test

Donations and grants since the last evaluation include the following:

- ▶ The bank donated a parcel of other real estate to the City of Conway valued at \$3,500. The lot is located in a low income and blighted section of the city. The City plans to build an affordable price house on this lot, which will be the first of a group of houses to be built in this neighborhood by the City. The houses will be purchased by individuals of low-moderate income levels. The financing of these homes will be provided through a partnership with local banks and a revolving fund started by the city, with the assistance of a grant from the South Carolina Housing Authority. CNB plans to participate in the financing of these homes.

- ▶ Approximately \$18,000 was donated to various organizations with proceeds primarily targeted to low and moderate income individuals. A recap of these donations is detailed below.
 - \$4,415 was donated to several non-profit organizations that provide affordable housing and/or temporary shelter to low and moderate income individuals residing in Horry County.
 - \$3,690 was donated to organizations that provide counseling and child care services for low and moderate income individuals.
 - \$9,895 was donated to various organizations that provide food, clothing, medical, recreational, and other community services targeted to low and moderate income individuals.

According to bank management and information received from other banks, opportunities for qualified investments within the bank's assessment area are limited. There are no investments in the bank's investment portfolio that have, as their primary purpose, community development. However, bank management stated the limited number of, and the high demand for, such issues has prevented CNB from purchasing any of these type securities.

Service Test

Accessibility of Delivery Systems

CNB's delivery systems are reasonably accessible to individuals of different income levels. The bank currently operates nine offices in Horry County. Eight of the offices are located in middle income tracts. Although no branches are located in the only low income tract, three offices within the city limits of Conway are accessible to those individuals. Five of the six moderate income census tracts are located in the northeastern portion of the county where the bank has no offices. However, the banking needs of these individuals are adequately met by four other financial institutions located in, or in close proximity to those areas. The bank has an office in the remaining moderate income tract, located in downtown Myrtle Beach.

Table - 7 Distribution of Branch Offices						
Tract Income Designation	Census Tracts		Families		Branches	
	#	%	#	%	#	%
Low Income	1	3%	841	2%	0	0%
Moderate Income	6	15%	5,741	14%	1	11%
Middle Income	24	62%	28,110	69%	8	89%
Upper Income	8	20%	5,854	15%	0	0%
Total	39	100%	543	100%	9	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

Banking hours are reasonable and do not significantly vary among the different branches. CNB's core banking hours are from 9:00 AM to 5:00 PM, with all offices open until 6:00 PM on Fridays. These hours of operation compare favorably with competing financial institutions. The bank offers 24 hour ATM service at 8 of its 9 locations.

Changes in Branch Locations

Since February , 1996, CNB has not closed or relocated any branch offices. No branches have been opened since then, however, the bank has received approval to open a new branch in the city limits of Conway. The new branch should open later this year and will be located in a high traffic area near a new Super Wal-Mart.

Community Development Services

The bank has recently begun offering a Benefit Security account for individuals who have their

government checks direct deposited to this account. There is no service charge on the account, an ATM card is provided and up to 6 ATM withdrawals per month are allowed, at no charge. In addition, the bank offers savings accounts that require no minimum amount to open. The bank cashes government checks, local payroll checks and provides coin wrapping services at no charge to individuals. These are services that are beneficial to low and moderate income persons.

The bank does not have a minimum amount for its consumer loans. During 1997, the bank made 281 loans of \$1,000 or less, totaling \$179,014. This accounted for 7% of all consumer loans made by the bank. This indicates a willingness to lend to individuals in the low-moderate income category.

Officers of the bank serve in various leadership roles in organizations whose primary purpose is to provide community services targeted to low and moderate income individuals. These include the Salvation Army's Boys and Girls Club, City of Conway's CRA Committee, Waccamaw Youth Center, Community Volunteer Services, and the United Way.

Fair Lending Review

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations. CNB's fair lending policies, procedures, training programs, and internal self-assessments are effective.

APPENDIX

Definition of Terms

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a more concise synopsis of their meaning.

Community Development - The primary purpose of the loan, investment, or service is for (1) affordable housing for low or moderate income individuals; (2) community services targeted to low or moderate income individuals; (3) activities that promote economic development by financing small businesses and farms; and (4) activities that revitalize or stabilize low or moderate income areas.

Consumer Loan - A loan to one or more individuals for household, family, or other personal expenditures.

HMDA Loan - A residential real estate loan (home purchase, home refinance, home improvement, or multifamily).

Geography - A census tract or block numbering area.

Low, Moderate, Middle, and Upper Income Area - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area median family income, middle income is 80% to 119% of the area median family income, and upper income is 120% or more of the area median family income.

Qualified Investment - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business Loan - A commercial loan with an original loan amount of \$1 million or less.

Small Farm Loan - A farm loan with an original loan amount of \$500,000 or less.