



## **PUBLIC DISCLOSURE**

October 26, 2020

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

The Conway National Bank  
Charter Number: 10536

1400 Third Avenue  
Conway, SC 29526

Office of the Comptroller of the Currency

212 South Tryon St., 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, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated Outstanding.

The following table indicates the performance level of Conway National Bank (CNB, bank, or institution) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Conway National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory			
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- The Lending Test rating is based on the Outstanding performance in the state of South Carolina.
- The Investment Test rating is based on the Low Satisfactory performance in the state of South Carolina.
- The Service test rating is based on the Outstanding performance in the state of South Carolina.

### Lending in Assessment Area

A substantial majority of the bank’s loans are in its assessment area (AA).

The bank originated and purchased 95.9 percent of its total loans inside the bank’s AA during the evaluation period. This analysis is performed at the bank level, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgages	824	96.5	30	3.5	854	109,601	98.0	2,192	2.0	111,793
Small Business	3,272	95.8	145	4.2	3,417	293,118	95.9	12,491	4.1	305,609
<b>Total</b>	<b>4,096</b>	<b>95.9</b>	<b>175</b>	<b>4.1</b>	<b>4,271</b>	<b>402,719</b>	<b>96.5</b>	<b>14,683</b>	<b>3.5</b>	<b>417,402</b>

Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data  
Due to rounding, totals may not equal 100.0

This performance was factored positively into the overall analysis of the geographic distribution of lending by income level of geography.

## **Description of Institution**

CNB was an intrastate bank headquartered in Conway, South Carolina (SC). The bank was organized in 1903 and nationally chartered in 1914. CNB has no subsidiaries and was owned by CNB Corporation, Inc., a one-bank holding company also headquartered in Conway, SC.

The bank's market area included Horry County, SC, and the Waccamaw Neck area of Georgetown County, SC. The bank had one AA located within the Myrtle Beach-Conway, SC-NC Combined Statistical Area (CSA) # 396. In addition to its administrative office in Conway, the bank operated 15 full-service branches and 14 deposit-taking Automated Teller Machines (ATMs). The bank did not open or close any branch offices during the evaluation period, nor were there any mergers or acquisitions.

As of December 31, 2019, the bank had total assets of \$1.3 billion, and net loans and leases of approximately \$512.4 million representing 40.4 percent of total assets. Total deposits were \$1 billion, or 81.1 percent of total assets. Real estate loans and commercial loans make up the majority of total net loans. Real estate loans accounted for \$400.4 million, which was 78.1 percent of the total net loans. Commercial loans totaled \$61 million, which was 11.9 percent of total net loans. The bank's tier 1 capital was \$122.5 million.

The bank offered a variety of credit and deposit services to businesses and consumers. The bank offered home mortgage loans for the home purchase, home improvement, and home refinance purposes. Long-term residential mortgage loans are provided through the bank's secondary mortgage department which acted in an agency capacity for various investor companies. Financing for commercial customers included, but was not limited to, working capital lines of credit, commercial equipment and vehicle loans, commercial real estate loans and agriculture loans. The bank provided cash management and other specialized conveniences, such as account reconciliation, merchant services, commercial lock box, e-lockbox and remote deposit capture. In addition, the bank offered a variety of secured and unsecured consumer loan products, including home equity lines of credit and loans, overdraft protection, automobile, home improvement, and personal loans. The bank also offered personal and business credit cards. Deposit products included certificates of deposit, individual retirement accounts, money market, various checking and savings accounts for individuals and businesses. Alternative delivery systems included telephone banking, 24-hour ATMs, online banking, and CNB2GO mobile banking which included an application that is compatible with all Apple and Android smartphones.

There were no financial or legal impediments to hinder the bank's ability to help meet the credit needs of the communities it services. The bank's CRA performance was rated Outstanding in the last public evaluation dated November 27, 2017.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This performance evaluation assessed the bank's CRA performance under the large bank Lending, Investment, and Service Tests. The evaluation period spanned from January 1, 2017 to December 31, 2019.

In evaluating the bank's lending performance, the OCC reviewed home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) and small loans to businesses reported under the CRA. All home mortgage products were reviewed, and conclusions reached in the aggregate. CD loans were also reviewed. The bank made a limited number of reportable farm loans during the evaluation period which resulted in the level of small loans to farms not being sufficient to provide a meaningful analysis. No affiliate activity was included in this analysis.

Under the Lending Test geographic distribution and borrower income distribution criteria, we performed a combined analysis of data from January 1, 2017 through December 31, 2019. The bank's data was compared to the 2015 American Community Survey (ACS). This interim census activity updated income, population, and housing information. The ACS also resulted in changes to the income designations of some geographies. The changes became effective January 1, 2017.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States are not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

### Selection of Areas for Full-Scope Review

In each state where the bank had an office, one or more AA(s) within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating section for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### Ratings

The bank's overall rating is based solely on its performance in the state of South Carolina, which consists of one AA, the Myrtle Beach Conway CSA AA. We placed more weight on the bank's small business lending as this represented the substantial majority of the bank's lending within the AA.

The state ratings are based on performance in the bank's AAs. Refer to the "Scope" section under the state rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of South Carolina

#### **CRA rating for the State of South Carolina: Outstanding**

**The Lending Test is rated:** Outstanding

**The Investment Test is rated:** Low Satisfactory

**The Service Test is rated:** Outstanding

The major factors that support this rating include:

- Excellent lending activity with a substantial majority of the loan made within the AA;
- Excellent geographical distribution of loans;
- Good borrower distribution of loans;
- Adequate level of CD investments;
- Retail delivery systems are readily accessible to all portions of the AA; and
- Excellent level of CD services that significantly impacted overall services performance.

### **Description of Institution's Operations in South Carolina**

CNB had delineated one AA within the state of South Carolina. The defined AA included Horry County within the Myrtle Beach-North Myrtle Beach-Conway MSA #34820, and portions of Georgetown County (Non-MSA AA), which is part of the Myrtle Beach-Conway, SC-NC CSA. We combined all these AA geographies into a single delineated rating area for evaluation. Refer to appendix A for a complete description of the AA. The AA did not arbitrarily exclude low- or moderate-income (LMI) geographies. The bank offered a full range of loan and deposit products and services through 15 full-service branches and 14 deposit taking ATMs in the AA.

According to June 30, 2019 Federal Insurance Deposit Corporation (FDIC) deposit market share data, 21 financial institutions operated 135 full-service offices within the AA. CNB holds \$998.1 million in deposits inside the AA with a 11.1 percent deposit market share, making it the 3<sup>rd</sup> largest deposit holder. The five largest institutions including CNB held 56.5 percent of the deposit market.

Top industries in the area providing the most employment were local and state government, restaurants and traveler accommodations. Major employers include Walmart Inc, Coastal Carolina University, Conway Medical Center and Grand Strand Regional Medical Center.

### **Economic Data**

The December 2019 Moody's Analytics indicated the Myrtle Beach Conway CSA AA strengths included being a popular destination for tourists and retirees, very strong population growth including favorable migration trends and low business costs. The weaknesses were volatility from dependence on

tourism and national discretionary consumer spending, high rental vacancy rate and risk of property damage due to its coastal location. The report indicated that, in 2019, the demand for tourism-fueled consumer services was strong but businesses in leisure/hospitality were struggling to find workers with the unemployment rate careening to a two-decade low of 3.2 percent in November 2019. Government was expanding as retirees pour in and demand public services. Higher wages were attracting job seekers with a jump in the labor force. Average hourly earnings would have been higher than 2018 level if not for a worse job mix.

According to the U.S. Bureau of Labor Statistics (BLS), there was a downward trend in the unemployment rates in the Myrtle Beach Conway CSA AA. The unemployment rate decreased from 7.3 percent in January 2017 to 3.7 percent in December 2019, which was above the state of South Carolina unemployment rate of 2.4 percent and slightly higher than the national average of 3.5 percent.

### **Community Contacts**

We reviewed a total of three community contacts with two new community contacts and one existing contact pertinent to the bank's AA to gain a better understanding of local economic conditions and community needs.

The first contact representing an affordable housing organization in Horry County stated that there is a need for affordable housing in the AA. The contact mentioned that banks are only willing to provide financing to those who already have access to it. Additionally, there were opportunities for banks to engage in financial counseling.

The second contact was a quasi-governmental agency that serves Georgetown, Horry and Williamsburg counties in South Carolina. The contact identified small business lending as the most pressing need. In addition, there were opportunities for technical assistance and credit education for small businesses.

The third contact representing a small business development center (SBDC) indicated that Horry and Georgetown counties are diverse and very different. Georgetown County is very rural and is somewhat of a closed community. In contrast, Horry County was booming with opportunities to assist existing companies as well as start-up businesses. The contact stated that many individuals do not recognize the consequence of paying personal bills on time. As such, banks could assist by providing financial education classes on the components and importance of maintaining high credit scores. Further, classes on general business skills and new business funding could be helpful.



The following table provides a summary of the demographics that includes housing and business information for the Myrtle Beach Conway CSA AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Conway National Bank AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	77	2.6	16.9	58.4	18.2	3.9
Population by Geography	314,604	1.9	16.5	64.1	17.2	0.3
Housing Units by Geography	208,571	1.9	10.9	61.5	25.6	0.2
Owner-Occupied Units by Geography	90,255	0.5	13.4	65.4	20.4	0.2
Occupied Rental Units by Geography	38,929	4.4	17.9	62.1	15.3	0.3
Vacant Units by Geography	79,387	2.3	4.5	56.7	36.5	0.1
Businesses by Geography	21,888	5.3	12.8	57.3	23.9	0.6
Farms by Geography	678	1.5	20.9	61.4	15.6	0.6
Family Distribution by Income Level	83,721	19.7	18.2	21.2	40.9	0.0
Household Distribution by Income Level	129,184	22.6	16.0	19.1	42.2	0.0
Median Family Income MSA -34820 Myrtle Beach-Conway-North Myrtle Beach, SC-NC MSA		\$53,695	Median Housing Value			\$191,937
Median Family Income Non-MSAs - SC		\$44,609	Median Gross Rent			\$863
			Families Below Poverty Level			12.5%

*Source: 2015 ACS Census and 2018 D&B Data  
Due to rounding, totals may not equal 100.0  
(\* ) The NA category consists of geographies that have not been assigned an income classification.*

The AA had a relatively high cost of housing that impedes homeownership for LMI individuals and families. The affordability table below illustrated housing affordability calculations for the MSA. The monthly mortgage payment calculations assumed a 30-year mortgage with a five percent interest rate, and no accounting for down payment, homeowner’s insurance, real estate taxes, or any additional monthly expenses. The maximum low-income and maximum moderate-income annual income calculations were based on 50 percent and 80 percent of the 2019 FFIEC adjusted median family income in the MSA. As the table illustrates, both low- and moderate-income borrowers would be challenged to afford the median home price. Furthermore, there was a very limited number of owner-occupied-units available in CNB’s LMI geographies. The population within the low-income census tracts was 6,079, however, there were just 489 owner-occupied units. The population within the moderate-income census tracts was 51,810, however, there were 12,129 owner-occupied units.

<b>2019 Housing Affordability</b>									
<b>MD/MSA Name</b>	<b>2019 Updated MFI</b>	<b>Maximum Low-Income Annual Income</b>	<b>Maximum Affordable Mortgage Amount</b>	<b>Maximum Monthly Mortgage Payment</b>	<b>Maximum Moderate-Income Annual Income</b>	<b>Maximum Affordable Mortgage Amount</b>	<b>Maximum Monthly Mortgage Payment</b>	<b>2019 Median Home Sales Price*</b>	<b>Mortgage Payment Based on Sales Price</b>
MSA 34820	62,500	31,250	145,533	781	50,000	232,852	1,250	265,050	1,423

\*Source – National Association of Realtors 2019 median home sales price of existing single-family homes for Metropolitan Areas.

## Scope of Evaluation in South Carolina

The OCC conducted a full-scope review of the Myrtle Beach Conway CSA AA. There were no limited-scope areas to review. Small business loans were given substantially more weight than home mortgage loans when arriving at the bank's overall lending performance based on the volume of loans. Refer to the table in appendix A for a complete description of the AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH CAROLINA

### LENDING TEST

The bank's performance under the Lending Test in South Carolina is rated Outstanding.

### Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Myrtle Beach Conway CSA AA is excellent.

### Lending Activity

Lending activity in in the AA is excellent given the bank's strategy, products offered, and competition in the area.

Lending levels reflect excellent responsiveness to AA credit needs.

<b>Number of Loans*</b>						
Assessment Area	Home Mortgage	Small Business	Community Development	Total	% State Loans	% State Deposits
Myrtle Beach Conway CSA AA	824	3,272	6	4,102	100	100

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

<b>Dollar Volume of Loans*</b>						
Assessment Area	Home Mortgage	Small Business	Community Development	Total	% State* Loans	% State Deposits
Myrtle Beach Conway CSA AA	109,601	293,118	879	403,598	100	100

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Based on the FDIC Deposit Market Share data as of June 30, 2019, CNB ranked 3<sup>rd</sup> among 21 institutions in the market with 11.1 percent market share. This rank placed the bank in the top 14.3 percent of depository institutions.

Based on 2019 peer mortgage data, the bank ranked 18<sup>th</sup> with a 1.5 percent market share. This rank placed the bank in the top 3.3 percent of all mortgage lenders. Competition for mortgage loans was very strong, as there were 544 other lenders in the AA. The top five lenders and their market share were

Wells Fargo Bank, N.A. with 6.5 percent, Quicken Loans with 5.8 percent, Truist Bank with 4.7 percent, Guild Mortgage Company with 4.2 percent, and South State Bank with 2.9 percent.

According to the most recent available 2018 peer small business data, CNB ranked second in small business lending among 88 lenders in the market with a 11.8 percent market share. This rank placed the bank in the top 2.3 percent of all small business lenders. American Express N.A. ranked first with 17.1 percent market share.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits an excellent geographic distribution of loans in its AA.

#### ***Home Mortgage Loans***

Refer to Table O in the state of South Carolina section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The percentage of loans in low- and moderate-income geographies exceeded both the percentage of owner-occupied units as well as the aggregate distribution of home mortgage loans in those respective geographies.

#### ***Small Loans to Businesses***

Refer to Table Q in the state of South Carolina section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The percentage of loans in low-income geographies was below the percentage of businesses and the aggregate industry distribution of loans to businesses in those geographies. The percentage of loans in moderate-income geographies exceeded both the percentage of businesses and the aggregate industry distribution of loans to businesses in those geographies.

#### ***Lending Gap Analysis***

OCC examiners reviewed summary reports and AA maps detailing the bank's lending activity over the evaluation period for home mortgage loans and small loans to businesses to identify any gaps in the geographic distribution of loans. No unexplained conspicuous gaps were identified.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits an excellent distribution of loans among individuals of different income levels and business of different sizes, given the product lines offered by the institution. We considered the high median housing value compared to income that constrains affordability of homeownership for LMI residents.

#### ***Home Mortgage Loans***

Refer to Table P in the state of South Carolina section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The percentage of home mortgage loans to low-income borrowers was significantly below percentage of low-income families, but exceeded the aggregate industry distribution of home mortgage loans to those families. The percentage of home mortgage loans to moderate-income borrowers was below the percentage of moderate-income families, but exceeded the aggregate industry distribution of home mortgage loans to those borrowers.

Although the proportion of loans to low-income borrowers was lower than the proportion of low-income families, the bank and industry performance was impacted by the ratio of median home sales prices to income in the AA. As discussed in the Description of Institution's Operations in South Carolina section, low-income borrowers would have been challenged to afford a mortgage at the median home sales price. Furthermore, housing affordability is impacted by higher real estate taxes in much of the AA. Real estate taxes impact affordability for moderate-income as well as low-income borrowers.

Also, for very low-income families, income levels and limited savings typically preclude homeownership, given the high transaction costs associated with home purchase. For moderate-income borrowers, the bank's performance was consistent within the analysis period. This consistency was evident in both the proportion of loans to moderate-income families and aggregate distribution of loans. For both LMI borrower types, we considered how the bank performed within regional and local competition. When omitting the five largest financial institutions in the AA, CNB was 13<sup>th</sup> and was competitive when comparing CNB's activity to the much larger regional banks that maintained substantially larger home mortgage market shares.

### ***Small Loans to Businesses***

Refer to Table R in the state of South Carolina section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The percentage of loans to businesses with gross annual revenue of \$1 million or less was below the percentage of those businesses, but exceeded the aggregate industry distribution of loans to those businesses.

Although the percentage of loans was below the percentage of small businesses, the bank was 2<sup>nd</sup> out of 88 small business lenders in the AA. The bank captured 11.8 percent of the small business market. CNB's contribution to the AA's businesses, and their subsequent market share, exceeded that of three large national banks that included BB&T, Citibank and Bank of America. The only bank to exceed CNB was American Express, which concentrates on commercial credit card lending to businesses. Per the 2018 Peer Small Business database, American Express' average loan size was \$13 thousand where CNB's average loan size was \$87 thousand.

### **Community Development Lending**

The institution has made a low level of CD loans.

The Lending Activity Tables, shown above, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

The bank made six CD loans totaling \$879 thousand. CD loan volume was equivalent to 0.7 percent of tier 1 capital. CD lending was responsive to affordable housing needs in the AA. CNB made two CD loans totaling \$333 thousand that supported affordable housing in the AA. This performance had a neutral impact on the bank’s lending test performance in the AA, as its geographic and borrower performance indicated the bank’s existing products effectively addressed community credit needs.

**Product Innovation and Flexibility**

The institution makes limited use of innovative and/or flexible lending practices in order to serve AA credit needs.

During the evaluation period, the bank participated in SC Homeownership and Employment Lending Program (SC HELP), the Hardest Hit Fund Program for the state of South Carolina. The program assists eligible homeowners to help make their monthly mortgage payments, reinstate a defaulted loan, modify a mortgage, or choose an alternative living arrangement. During the evaluation period, the bank assisted six borrowers in obtaining \$216.0 thousand (\$36 thousand each) under this program.

**INVESTMENT TEST**

The bank’s performance under the Investment Test in South Carolina is rated Low Satisfactory.

**Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the bank’s performance in the Myrtle Beach Conway CSA AA is adequate.

The institution has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

The institution exhibits adequate responsiveness to credit and community economic development needs. The institution does not use innovative and/or complex investments to support CD initiatives.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000’s)	#	\$(000’s)	#	% of Total #	\$(000’s)	% of Total \$	#	\$(000’s)
Myrtle Beach Conway CSA AA	0	0	119	1,724	119	100	1,724	100	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

During the evaluation period, the bank made four investments in general obligation municipal bonds totaling \$1.6 million. The bank made 115 CD donations and grants totaling \$78.6 thousand to 63 different organizations. A substantial majority of the donations were made to organizations focused on community services for LMI individuals and geographies. Total investments and donations represented 1.4 percent of tier 1 capital as of December 31, 2019.

The following are notable examples of the bank’s qualified investments and donations:

- Four investments totaling \$1.6 million in the form of municipal bonds issued for construction of school buildings in Horry and Georgetown counties. These bonds provided funding for schools where over fifty percent of students received free or reduced-price lunches.
- Five donations totaling \$21 thousand to medical care facilities that provided services targeted to LMI individuals.

The bank had a prior period investment in a CRA Qualified Investment Fund through regional capital management organization. In December 2017, the bank was notified that this CRA fund would no longer place the bank’s investments specifically into Horry County or Georgetown County projects. The notification continued on to state that the fund would be a nationwide fund and that a smaller portion of the funds would be invested in the state of South Carolina, but potentially not in the CNB AA. With the bank wanting to focus their investment funds, the bank made the decision to close out the investment and hold the funds in hopes to find another CRA Fund in their AA.

**SERVICE TEST**

The bank’s performance under the Service Test in South Carolina is rated Outstanding.

The bank is a leader in providing CD services, which had a positive impact on the rating.

**Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the bank’s performance in the Myrtle Beach Conway CSA AA is excellent.

**Retail Banking Services**

Service delivery systems are readily accessible to geographies and individuals of different income levels in the institution’s AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Myrtle Beach Conway CSA AA	100	15	100	6.7	33.3	33.3	26.7	2.6	16.9	58.4	18.2

The bank’s branches and alternative delivery systems were effective and responsive in helping the bank provide services across the community. One branch was located in a low-income geography. The percentage of branches in low-income geographies exceeded the percentage of population in those geographies. Five branches were located in moderate-income geographies. The percentage of branches

in moderate-income geographies significantly exceeded the percentage of population in those geographies. The bank had three branches in middle-income geographies which were within sufficient proximity to reasonably serve moderate-income geographies. These three branches contributed positively to the branch distribution conclusion.

The bank provided alternative delivery systems, such as deposit-taking ATMs, direct deposit, telephone banking, CNB2Go Mobile Banking, and CNB Bill Pay. The bank also provided free check cashing services for government issued checks, such as social security, state and IRS refunds at no charge to customers and non-customers. In addition, the bank continues to accept and process local electric and water utility payments at no cost to consumers. According to the bank's internal records, the bank processed approximately 296 thousand payments during the review period.

The bank did not open or close any branches during the evaluation period.

Services, including where appropriate, business hours, do not vary in a way that inconveniences its AA, particularly LMI geographies and/or individuals. The bank maintains standard business hours and offers traditional banking products, mortgages, consumer and small business lending and services at all branch locations in the AA.

### **Community Development Services**

The institution is a leader in providing CD services.

The bank provided an excellent level of CD services. There were 63 employees actively involved in qualifying CD services during the evaluation period. These employees provided nearly 1,233 hours of financial education, technical assistance, or service on boards of directors and committees of 53 qualified community organizations. Examples of qualifying activities include the following:

- A Senior Vice President served as a board member and finance committee chairman for a not-for-profit corporation that provides primary medical care and medications to low-income, underserved and uninsured patients in Horry County.
- An Assistant Vice President served as a board member for a 501(c)(3) nonprofit organization focused on community and neighborhood development.
- A Vice President served on the board as a treasurer for a nonprofit organization whose mission is to provide new books to children in need in Horry County.
- Forty-Eight employees participated in the "Teach Children to Save Day", a program sponsored by the American Bankers Association Education Foundation.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/2017 to 12/31/2019	
<b>Bank Products Reviewed:</b>	Home mortgage and small business Community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>South Carolina</b>		
Myrtle Beach Conway CSA AA	Full-Scope	Counties of Horry and Georgetown



## Appendix B: Summary of MMSA and State Ratings

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RATINGS: The Conway National Bank				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
The Conway National Bank	Outstanding	Low Satisfactory	Outstanding	Outstanding
MMSA or State:				
South Carolina	Outstanding	Low Satisfactory	Outstanding	Outstanding

(\*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**MMSA (state):** Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased loans are treated the same as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2017-2019</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate		
Myrtle Beach Conway CSA AA	824	109,601	100.0	20,300	0.5	2.7	0.9	13.4	17.6	9.7	65.4	65.2	64.6	20.4	14.6	24.7	0.2	0.0	0.1		
<b>Total</b>	<b>824</b>	<b>109,601</b>	<b>100.0</b>	<b>20,300</b>	<b>0.5</b>	<b>2.7</b>	<b>0.9</b>	<b>13.4</b>	<b>17.6</b>	<b>9.7</b>	<b>65.4</b>	<b>65.2</b>	<b>64.6</b>	<b>20.4</b>	<b>14.6</b>	<b>24.7</b>	<b>0.2</b>	<b>0.0</b>	<b>0.1</b>		

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data  
Due to rounding, totals may not equal 100.0

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2017-2019</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Myrtle Beach Conway CSA AA	824	109,601	100.0	20,300	19.7	7.4	5.2	18.2	14.9	14.5	21.2	19.1	19.9	40.9	43.7	46.2	0.0	14.9	14.2		
<b>Total</b>	<b>824</b>	<b>109,601</b>	<b>100.0</b>	<b>20,300</b>	<b>19.7</b>	<b>7.4</b>	<b>5.2</b>	<b>18.2</b>	<b>14.9</b>	<b>14.5</b>	<b>21.2</b>	<b>19.1</b>	<b>19.9</b>	<b>40.9</b>	<b>43.7</b>	<b>46.2</b>	<b>0.0</b>	<b>14.9</b>	<b>14.2</b>		

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data  
Due to rounding, totals may not equal 100.0

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2017-2019</b>		
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate		
Myrtle Beach Conway CSA AA	3,272	293,118	100.0	9,076	5.4	3.9	5.0	12.8	20.6	12.6	57.3	60.5	58.5	23.9	14.8	23.6	0.6	0.2	0.4		
<b>Total</b>	<b>3,272</b>	<b>293,118</b>	<b>100.0</b>	<b>9,076</b>	<b>5.4</b>	<b>3.9</b>	<b>5.0</b>	<b>12.8</b>	<b>20.6</b>	<b>12.6</b>	<b>57.3</b>	<b>60.5</b>	<b>58.5</b>	<b>23.9</b>	<b>14.8</b>	<b>23.6</b>	<b>0.6</b>	<b>0.2</b>	<b>0.4</b>		

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "2019" data not available.  
Due to rounding, totals may not equal 100.0*

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2017-2019</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Myrtle Beach Conway CSA AA	3,272	293,118	100.0	9,076	83.6	78.5	53.0	5.1	21.5	11.4	0.0		
<b>Total</b>	<b>3,272</b>	<b>293,118</b>	<b>100.0</b>	<b>9,076</b>	<b>83.6</b>	<b>78.5</b>	<b>53.0</b>	<b>5.1</b>	<b>21.5</b>	<b>11.4</b>	<b>0.0</b>		

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "2019" data not available.  
Due to rounding, totals may not equal 100.0*