

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

November 14, 2000

## Community Reinvestment Act Performance Evaluation

Conway National Bank  
Charter Number: 10536

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Conway, SC 29526

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**NOTE:** 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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## 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 CRA performance of Conway National Bank prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of November 14, 2000. 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 CFR Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** - Affordable 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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.

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

**Geography** - A census tract or a block numbering area 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 do 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, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

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

**Upper-Income** - Income levels that are 120% or more of the MFI.

# Overall CRA Rating

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

The following table indicates the performance level of **Conway National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Conway National Bank(CNB) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
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:

- y CNB's lending activity is excellent in the Myrtle Beach MSA.
- y A substantial majority of the bank’s loans were originated or purchased within its assessment area (AA).
- y The overall geographic distribution of loans is good. The geographic distribution of HMDA loans is good. The geographic distribution of small loans to businesses is good.
- y The overall distribution of loans by income level in the assessment area is excellent. The distribution of HMDA loans by borrower income level is good. The distribution of small loans to businesses by revenue size is excellent.
- y Given the limited community development investment opportunities in the AA, CNB’s level of community development investments is good.
- y CNB’s delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the AA. Based on the

available CD opportunities, the bank's level of CD services is good.



## Description of Institution

Conway NB (CNB) is an intrastate bank headquartered in Conway, SC. As of September 30, 2000, CNB had total assets of \$465 million. The bank operates 11 branches and 11 ATMs throughout the Myrtle Beach MSA. The bank has one primary market, Horry County, which includes the entire Myrtle Beach MSA.

CNB is entirely owned by CNB Corporation, a one-bank holding company also headquartered in Conway, SC. The Corporation also owns a small volume of real estate. As of September 30, 2000, the Corporation had total assets of \$466 million.

CNB offers a full range of banking products and services. The type of loans that are available include agricultural, commercial, consumer, second mortgage real estate, 1-4 family residential real estate, and multi-family loans. As of September 30, 2000, loans totaled \$288 million and deposits totaled \$379 million. Loans represent 62% of total assets. The distribution of CNB's loan portfolio follows: commercial (includes commercial real estate) (51%); 1-4 family residential properties (35%); consumer loans (12%); other loans (1%) and farm loans (1%). As illustrated by their loan mix, CNB is primarily a small business lender. Small farm lending is not a significant product for the bank.

CNB's Tier 1 capital is \$47 million and their risked based capital to risk weighted assets equals 17%. CNB also provides brokerage services, which has no impact on the bank's CRA performance. There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA.

CNB's CRA performance was rated "Satisfactory" in the last public evaluation dated April 27, 1998.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment and Service Tests. In evaluating the bank's lending performance, we reviewed their residential mortgage loans subject to filing under HMDA and small loans to businesses. With the exception of community development (CD) loans, the evaluation period for the Lending Test is January 1, 1998 through December 31, 1999. For CD loans, the Investment Test and the Services Test, the evaluation period is April 27, 1998 through November 14, 2000.

### Data Integrity

As part of this CRA evaluation, we tested the accuracy of CNB's small loans to businesses and HMDA loan data. We found significant errors in both the HMDA and CRA data and required bank management to correct the information. During July 2000, we evaluated the bank's corrected data and found it to be reliable. This evaluation is based on accurate data.

CD loans, investments and services submitted by CNB management were verified to ensure that they met the regulatory definition for CD. Some items submitted by CNB for consideration were excluded from this evaluation because they did not meet the definition or purpose of CD.

### Selection of Areas for Full-Scope Review

CNB has only one assessment area, the entire Myrtle Beach MSA. This AA received a full scope review. The bank's delineation of the AA did not reflect any illegal discrimination and did not arbitrarily exclude any low- or moderate-income geographies. Refer to the table in Appendix A for more information.

### Ratings

The bank's overall rating is based their performance in the Myrtle Beach MSA. In determining the conclusions for the Lending Test, the distribution of loans by borrower income level received more weight than the distribution of loans by geography. Only 18% of the geographies are low- or moderate-income. Therefore, the distribution of loans by geography is not as meaningful. In terms of loan products, small loans to businesses received the vast majority of the weight. CNB's lending strategy focuses primarily on small loans to businesses. During this evaluation period, 84% of the bank's CRA related loans were small loans to

businesses. As a result, the conclusions for the Lending Test were primarily based on the bank's small loans to businesses lending performance.

Within the individual HMDA products, refinance and home purchase loans received more weight than home improvement loans. This weighting is reflective of CNB's loan volume by product type over the evaluation period. The volume of small loans to farms was not significant enough to perform a meaningful analysis.

### **Other**

Two community contacts were made during this examination. We also reviewed four community contacts that were conducted prior to this exam. The types of organizations contacted during this examination included a city administrator and an affordable housing organization. The following credit needs were identified: affordable housing (1-4 family residential and rehabilitation) and small business loans (start-up). Also, the community contacts indicated that programs such as down payment assistance and programs to help consumers with closing cost are needed in the AA. In terms of services needed, they stated that credit counseling and consumer counseling explaining the home purchase process are also needed.

In Horry County, the opportunity to make community development loans and investments is limited. We did not identify any specialized Small Business Investment Corporations (SBICs) in the bank's AA or local Community Development Corporations (CDCs). Also, we did not identify any local Community Development Financial Institutions (CDFIs) or nonprofit organizations whose primary mission is to revitalize low- or moderate- income geographies. We did identify one small business development center and a state-wide government organization that provides various loan products which can provide enhancements to community development projects including housing.

## **Fair Lending Review**

An analysis of 1998 HMDA, Small Business and Small Farm lending data, public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in April 1998.

The institution's record of complying with the antidiscrimination laws (ECOA, FHA, or HMDA) is satisfactory. CNB has policies, procedures, training programs,

internal assessment efforts, or other practices in place to prevent discriminatory or other illegal credit practices.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

#### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Lending Test is rated "Outstanding". Based on full-scope review, the bank's performance in the Myrtle Beach MSA is excellent.

#### **Lending Activity**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

In the Myrtle Beach MSA, approximately 84% of the number of loans originated or purchased during the evaluation period were small loans to businesses. Home Mortgage Loans comprised the vast majority (12%) of the remainder. Among Home Mortgage Loans, refinance loans represent 45%, home purchase loans represent 39% and home improvement loans represent only 15%. The remaining 1% are loans for multifamily dwellings. The volume of small loans to farms was not material, representing 4% of CNB's loan originations and purchases. Agricultural lending is not a primary business line of CNB.

CNB's lending activity is excellent in the Myrtle Beach MSA. CNB ranks first in terms of deposit market share (14%). There are 18 banking institutions with offices throughout the AA. Based on 1999 CRA aggregate data, CNB is the largest originator and purchaser of small loans to businesses in the MSA with a 43% market share. In 1999, CNB made 3,787 small loans to businesses versus the number 2 ranked institution that made 881 loans (10% market share).

Based on 1999 HMDA aggregate data, CNB is ranked number 6 in the overall volume of HMDA lending with a market share of 3%. In terms of individual HMDA products, CNB is the tenth largest originator of home purchase loans (3%), the seventh largest originator of home mortgage refinance loans (3%), and the largest originator of home improvement loans (27%). There are 290 institutions making home mortgage loans throughout the AA.

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

The overall geographic distribution of loans in this AA is good. The geographic distribution of HMDA loans is good. The geographic distribution of small loans to businesses is good. There were no conspicuous gaps in the bank's lending

patterns throughout its AA.

We considered the following factors in assessing the bank's lending performance in low- and moderate-income geographies. In low-income geographies, the low level of home mortgage lending can in part be explained by the lack of housing stock and income. This single low-income geography has 31.75% of its families living below the poverty level and there are only 610 owner-occupied units.

Location and poverty level contribute to the lower performance in moderate-income geographies. Five of the six moderate-income geographies are located in the upper northeastern portion of the county that borders North Carolina. CNB has no branches in these geographies. Refer to the Market Profile section for more information. In addition, the level of families below the poverty level is high in all five geographies. Four of the five geographies have a poverty level in excess of 23% with a high of 31.43%.

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

Refer to Tables 2, 3 & 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

The geographic distribution of HMDA loans is good.

The overall geographic distribution of *home purchase loans* is good. The bank's percent of home purchase loans in low-income tracts is near the percent of owner-occupied units in these tracts. The percent of home purchase loans to moderate-income tracts is lower than the percent of owner-occupied units in moderate-income tracts. The bank's home purchase market share in low-income tracts exceeds their overall market share. The bank's market share in moderate-income tracts is near their overall market share.

The overall geographic distribution of *home improvement loans* is adequate. The bank's percent of home improvement loans in low-income tracts is near the percent of owner-occupied units in these tracts. The percent of home improvement loans to moderate-income tracts is lower than the percent of owner-occupied units in moderate-income tracts. CNB made 0 loans in the low-income tract during 1999. Only 4 loans were made by all institutions in this geography. The bank's market share in moderate-income tracts is somewhat lower than its overall market share.

The overall geographic distribution of *refinance loans* is good. The bank's percent of refinance loans in low-income tracts exceeds the percent of owner-occupied units in these tracts. The percent of refinance loans in moderate-income tracts is somewhat lower than the percent of owner-occupied units in moderate-income

tracts. The bank's refinance market share in low-income tracts exceeds its overall market share. Their market share in moderate-income tracts is near its overall market share.

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

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The overall geographic distribution of *small loans to businesses* is good. The bank's percent of small loans to businesses in low-income tracts exceeds the percent of businesses located in these tracts. The percent of small loans to businesses in moderate-income tracts is somewhat lower than the percent of businesses located in moderate-income tracts. The bank's market share in low-income tracts exceeds its overall market share. The bank's market share in moderate-income tracts is somewhat lower than its overall market share.

### ***Small Loans to Farms***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

We did not analyze CNB's small loans to farms lending performance. The volume of loans was not significant enough, representing only 4% of the bank's lending activity. The data is presented in the table for informational purposes only.

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

Reports detailing CNB's lending activity over the evaluation period were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified. All geographies had small loans to businesses and home mortgage loans. This performance had a positive effect on the bank's overall geographic distribution analysis.

### ***Inside/Outside Ratio***

A substantial majority of small loans to businesses and home mortgage loans originated and purchased by CNB over the evaluation period were within their AA. Overall 93% of the bank's loans were within their AA. Ninety-three percent (93%) of small loans to businesses and 92% of home mortgage loans were originated and purchased within their AA. This performance had a positive effect on the bank's overall geographic distribution analysis.

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

The overall distribution of loans by income level in the AA is excellent. The distribution of HMDA loans by borrower income level is good. The distribution of small loans to businesses by revenue size is excellent.

In evaluating the borrower distribution of home mortgage loans, we considered the number of families that live below the poverty level and the barriers that this may have on home ownership. Approximately 12% of the families in the AA live below the poverty level. According to 1990 Census data, 60% of the low-income families live below the poverty level, which makes it difficult for them to afford and maintain a home.

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

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall distribution of HMDA loans by borrower income level is good.

The distribution of *home purchase loans* by borrower income level is good. The bank's percent of home purchase loans to low-income borrowers is somewhat lower than the percent of low-income families residing in the AA. Refer to the comment above for demographic information on the poverty level. The bank's percent of home purchase loans to moderate-income borrowers exceeds the distribution of moderate-income families residing in the AA. CNB's home purchase loan market share to low-income borrowers is near their overall market share. Their home purchase loan market share to moderate-income borrowers exceeds their overall market share.

The distribution of *home improvement loans* by borrower income level is good. The bank's percent of home improvement loans to low-income borrowers is lower than the percent of low-income families residing in the AA. Refer to the comment above for demographic information on the poverty level. The bank's percent of home improvement loans to moderate-income borrowers exceeds the distribution of moderate-income families residing in the AA. CNB's home improvement loan market share to low-income borrowers is near their overall market share. Their home improvement loan market share to moderate-income borrowers exceeds their overall market share.



The distribution of *refinance loans* by borrower income level is good. The bank's percent of refinance loans to low-income borrowers is somewhat lower than the percent of low-income families residing in the AA. Refer to the comment under the section above for demographic information on the poverty level. The bank's percent of refinance loans to moderate-income borrowers is near the distribution of moderate-income families residing in the AA. CNB's refinance loan market share to low-income borrowers equals their overall market share. Their refinance loan market share to moderate-income borrowers exceeds their overall market share.

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

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The distribution of small loans to businesses is excellent. CNB's percentage of small loans to small businesses (businesses with annual revenues \$1 million or less) exceeds the percentage of small businesses in the AA. Their market share of small loans to small businesses exceeds their overall market share of small loans to all businesses. A substantial majority of the bank's small loans to businesses loans are for amounts \$100 thousand or less.

### ***Small Loans to Farms***

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We did not analyze CNB's small loans to farm lending performance. The volume of loans was not significant enough, representing only 4% of the bank's lending activity. The data is presented in the table for informational purposes only.

### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

The bank made 1 qualified community development loan during the evaluation period. CNB made a \$1,020,000 loan to the Horry County Commission on Alcohol and Drug Abuse. This loan amount represents 2% of Tier I Capital. The bank's CD lending level had a neutral effect on the bank's lending testing rating. This loan was not considered innovative or complex in nature. The proceeds were used to construct a new office building that is primarily used by counselors. This nonprofit

organization receives approximately 72% of their funding from county, state and federal grants to provide services to individuals who cannot afford to pay. This is a qualified community development loan because it provides community services targeted to low- and moderate-income individuals.

### **Product Innovation and Flexibility**

The bank has not used innovative and flexible loan products during the evaluation period. This had no impact on the Lending Test rating.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Myrtle Beach MSA is good.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Given the limited community development investment opportunities in the AA, CNB's level of community development investments is good. Refer to the Scope of the Evaluation section for additional information on the available CD opportunities in this AA. During this evaluation period, CNB made \$311 thousand in qualified investments. Although CNB's total qualified investments and grants represent only 1% of Tier 1 Capital, all of the investments were made during this evaluation period. Furthermore, 80% of this total consist of an investment in a mutual fund that is discussed below. This investment is not considered complex however it is innovative and is responsive to an identified credit need in the AA (affordable housing).

y CRA Investment Fund - In October 2000, CNB made an initial investment of \$250 thousand into the fund. This mutual fund was initiated nationwide in June 1999. It is an innovative concept that allows geographical areas with a limited supply of bank CRA-qualified investment opportunities to make investments via purchase of shares in a CRA-dedicated mutual fund. The Fund identifies qualified investments in the AA, purchases them, and designates them to the bank. The fund gives banks the ability to specifically direct underlying securities that will be located within their AA. In November 2000, the fund purchased \$250 thousand of a FNMA pool and designated it to the bank. The FNMA pool is secured by the Legacy Apartments, a low-income housing tax

credit project located in Conway.

The remaining \$61 thousand consist of qualified grants and donations to CD organizations. These investments were not considered innovative or complex in nature. The organizations benefiting from these grants and donations are involved in providing affordable housing and community services for low- and moderate-income individuals. There were no prior period investments that are still outstanding.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Myrtle Beach MSA is good.

### **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

CNB's retail delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the full-scope AA. CNB operates 11 branches and 11 ATMs throughout the AA. The majority of the bank's branches and ATMs are located in middle-income geographies. The majority of low- and moderate-income families live in these areas. Eighty-two (82%) of the bank's branches are in middle-income geographies compared to 67% of low- and moderate-income families that reside in these areas.

The Myrtle Beach MSA has 1 low-income geography (census tract 704). This geography is located near downtown Conway. CNB does not have a branch in this geography. However, the bank's branches are reasonable accessible to this low-income area. CNB has 4 branches located in the adjacent downtown census tracts of 702 and 703. Three of the four branches are located within 1 mile of the low-income geography.

In moderate-income geographies, the percent of the bank's branches is lower the percent of the population residing in these areas. The AA has 6 moderate-income geographies. The bank has 1 branch in the moderate-income geography that is located in the southern portion of the county. The other 5 geographies are located in the northeastern part of the county. These geographies are located about 20-25 miles from the closest CNB branch. Seven other financial institutions are located

in these geographies. Refer to the Market Profile section for further information. CNB did not close any branches during this evaluation period. However, the bank opened two branches; one in a middle-income and the other in an upper-income geography.

CNB also operates 11 deposit-taking ATMs throughout the AA. The dispersion of the ATMs mirrors that of the branch locations. The bank did not have any information on how low- and moderate-income individuals and geographies are affected by their alternative delivery systems. Therefore, we did not place significant weight on their ATM systems.

CNB offers a wide range of banking products and services throughout its AA. The products, services and business hours are reasonable and do not vary from one location to another.

### **Community Development Services**

The level of community development services provided in the Myrtle Beach MSA is good based on the number of employees participating and number of organizations benefiting. Refer to the Scope of the Evaluation section for additional information on the available CD opportunities in this AA. The types of services provided are not innovative in nature, but are responsive to the needs of the community. Fifteen employees provided financial services to five community development organizations. The following is a list of the financial services that were provided to qualified community development organizations during this evaluation period:

- o serving as a board member, president, vice president, treasurer, secretary or on the Allocation committee member for four organizations that provide community development services to low- and moderate-income individuals; and
- o serving on the Board of Directors or on the finance, budget, investment or audit committee for a small business development center.

## Appendix A: Scope of Examination

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 metropolitan and nonmetropolitan areas 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>	Lending Test (excludes CD Loans): (01/01/98 to 12/31/99) Investment and Service Tests and CD Loans: (04/27/98 to 11/14/00)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Conway National Bank (CNB) Conway, South Carolina	Small Loans to Businesses HMDA CD Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NONE		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Myrtle Beach MSA #5330	Full-Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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**Market Profiles for Areas Receiving Full-Scope Reviews**  
Myrtle Beach MSA .....B-2

## MSA #5330 Myrtle Beach, SC

Demographic Information for Full-Scope Area: Myrtle Beach MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	39	2.56	15.38	61.55	20.51	0
Population by Geography	144,053	2.28	14.58	69.29	13.85	0
Owner-Occupied Housing by Geography	38,305	1.59	13.69	69.31	15.41	0
Businesses by Geography	9,490	1.14	15.52	59.58	23.76	0
Farms by Geography	416	.48	35.34	59.13	5.05	0
Family Distribution by Income Level	40,552	19.34	18.63	23.33	38.70	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	15,398	4.02	20.90	67.02	8.06	0
Median Family Income = \$28,504			Median Housing Value = \$87,598			
HUD Adjusted Median Family Income for 2000 = \$42,100			Unemployment Rate (1990) = 3.13%			
Households Below the Poverty Level = 14.76%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census and 2000 HUD updated MFI.

CNB's assessment area is entirely contained in the county of Horry, South Carolina. This is MSA # 5330 Myrtle Beach SC. The bank operates 11 branches and ATMs within the AA. Of CNB's 11 branches, 10 are located in the southern portion of the county. The remaining branch is located in the mid-western part of the county. 5 of 6 moderate-income census tracts are located in the northern eastern portion of the county. This area is primarily rural and agricultural. There is only one major highway through this area. There are 7 other financial institutions with banking offices in this area.

Horry County is located in the extreme northeastern coastal area of South Carolina. Horry County is the largest county in the state in terms of land area. According to the American Demographics, Horry County is the second fastest growing county in the country both in terms of the percentage of population and job creation. Tourism is the top revenue producing industry in the county. However, these jobs tend to be seasonal, low-paying, and mostly devoid of benefits. The county seat is Conway. Conway is located about 12 miles from Myrtle Beach.

Manufacturing, the local school system and county government also anchor the local economy. The 3 largest employers are Horry County School District (3,515 employees), AVX Corporation (2,223 employees), and Horry County Government (1,340 employees). As of September 2000, the unemployment rate of Horry County was 2.7% versus the state rate of 3.6%.



As of June 30, 1999, CNB was ranked number 1 in AA with the largest deposit market share (14%). There are 18 other financial institutions with branches in Horry County. Major competitors consist of branches of large multi-national banks and larger regional institutions. CNB is 1 of only 4 institutions with banking operations solely in Horry County. CNB does not have any similar situated institutions operating in its AA. Two of these institutions are substantially smaller and the other one is primarily a residential real estate lender.

Refer to the Scope of the Evaluation section of the Performance Evaluation for additional information on the identified credit needs and the community development lending, investment, and service opportunities in this AA.

## Appendix C: Tables of Performance Data

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### Content of Standardized 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: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - 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 market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses 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) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - 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 MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. Geographic and Borrower Distribution of Consumer Loans** - For geographic distribution, the table 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 the population within each geography. For borrower distribution, the table 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 of households by income level in each MSA/assessment area.

Table 1. Lending Volume

		LENDING VOLUME		State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999			
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Developm	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
Full-Scope:									
Myrtle Beach MSA	100.00	1,047	62,014	7,187	270,269	307	5,771	1	1,020
Limited-Scope:									

(\*) Deposit data as of June 30, 1999.

(\*\*) The evaluation period for Home Mortgage Loans, Small Loans to Businesses and Small Loans to Farms is January 1, 1998 to December 31, 1999.

(\*\*\*) The evaluation period for Community Development Loans is April 27, 1998 to November 14, 2000.

Table 2. Geographic Distribution of Home Purchase Loans

		Geographic Distribution: HOME PURCHASE				State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999			
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low
Full-Scope:											
Myrtle Beach MSA	1.59	1.23	13.69	6.37	69.31	82.11	15.41	10.29	10	2.60	9.40
Limited-Scope:											

(\*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT										State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market			
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low		
Full-Scope:													
Myrtle Beach MSA	1.59	1.24	13.69	6.22	69.31	85.71	15.41	6.83	1	27.21	0.00		
Limited-Scope:													

(\*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE										State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market			
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low		
Full-Scope:													
Myrtle Beach MSA	1.59	1.90	13.69	3.80	69.31	82.91	15.41	11.39	7	3.44	7.23		
Limited-Scope:													

(\*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES											
				State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999					
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low
Full-Scope:											
Myrtle Beach MSA	1.14	2.24	15.52	4.60	59.58	78.36	23.76	14.80	1	42.84	68.29
Limited-Scope:											

(\*) Based on 1999 Aggregate Small Business Data only. Market rank is for all income categories combined.  
 (\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS											
				State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999					
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low
Full-Scope:											
Myrtle Beach MSA	.48	.98	35.34	2.93	59.13	95.44	5.05	.65	2	28.84	0.00
Limited-Scope:											

(\*) Based on 1999 Aggregate Small Farm Data only. Market rank is for all income categories combined.  
 (\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE											
				State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999					
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Sh	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low
Full-Scope:											
Myrtle Beach MSA	19.34	7.12	18.63	19.85	23.33	21.12	38.70	51.91	10	2.55	2.41
Limited-Scope:											

(\*) As a percentage of loans with borrower income information available. No information was available for 3% of loans originated and purchased by the bank.  
 (\*\*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT											
				State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999					

MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low
Full-Scope:											
Myrtle Beach MSA	19.34	13.64	18.63	22.73	23.33	29.87	38.70	33.76	1	27.21	24.39
Limited-Scope:											

(\*) As a percentage of loans with borrower income information available. No information was available for 4% of loans originated and purchased by the bank.

(\*\*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE State: South Carolina Evaluation Period: January 1, 1998 to December 31, 1999											
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low
Full-Scope:											
Myrtle Beach MSA	19.34	4.94	18.63	15.73	23.33	27.87	38.70	51.46	7	3.44	3.44
Limited-Scope:											

(\*) As a percentage of loans with borrower income information available. No information was available for 6% of loans originated and purchased by the bank.

(\*\*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.



**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES								State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999	
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share					
	% of Businesses*	% BANK Loans**	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	\$1				
Full-Scope:											
Myrtle Beach MSA	88.32	99.72	92.26	5.33	2.41	42.84					
Limited-Scope:											

(\*) Businesses with revenues of \$1 million or less as a percentage of all businesses.  
 (\*\*) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0% of small loans to businesses originated and purchased by the bank.  
 (\*\*\*) Based on 1999 Aggregate Small Business Data only.  
 (\*\*\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		State: South Carolina		Evaluation Period: January 1, 1998 to December 31, 1999			
MSA/Assessment Area:	Farms with Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	% of Farms*	% BANK Loans**	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	\$1 (
Full-Scope:							
Myrtle Beach MSA	98.80	100.00	98.70	0.98	0.33	28.84	
Limited-Scope:							

(\*) Farms with revenues of \$1 million or less as a percentage of all farms.  
 (\*\*) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0% of small loans to farms originated and purchased by the bank.  
 (\*\*\*) Based on 1999 Aggregate Small Farm Data only.  
 (\*\*\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: South Carolina Evaluation Period: April 27, 1998 to November 14, 2000						
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
Full-Scope:						
Myrtle Beach MSA	0	0	24	311	24	311
Limited-Scope:						

(\*) "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 reported by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS State: South Carolina Evaluation Period: April 27, 1998 to November 14, 2000												
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of B (+ or -)		
				Low	Mod	Mid	Upp			Low	Mod	Mid
Full-Scope:												
Myrtle Beach MSA	100.00	11	100.00	0.00	9.09	81.82	9.09	0	2	0	0	+1
Limited-Scope:												