



Comptroller of the Currency
Administrator of National Banks

Southeastern District
Carolinas Field Office
6100 Fairview Road Suite 1154
Charlotte, North Carolina 28210

PUBLIC DISCLOSURE

February 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Charter Number 22995

**Beach First National Bank
1550 North Oak Street
Myrtle Beach, South Carolina 29577**

**Office of the Comptroller of the Currency
Southeastern District Office
Marquis One Tower, Suite 600
245 Peachtree Center Ave, N.E.
Atlanta, Georgia 30303**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Beach First National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of December 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The institutions record of lending to borrowers within its assessment area is satisfactory. The distribution of loans by income and geography reflects reasonable penetration. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

The following table indicates the performance level of Beach First National Bank with respect to each of the five performance criteria.

BEACH FIRST NATIONAL BANK			
Performance Levels			
<i>SMALL INSTITUTION ASSESSMENT CRITERIA</i>	<i>Exceeds Standards for Satisfactory Performance</i>	<i>Meets Standards for Satisfactory Performance</i>	<i>Does not meet Standards for Satisfactory Performance</i>
<i>Loan-to-Deposit Ratio</i>		X	
<i>Lending in Assessment Area</i>		X	
<i>Lending to Borrowers of Different Incomes and to Businesses of Different Sizes</i>		X	
<i>Geographic Distribution of Loans</i>		X	
<i>Response to Complaints</i>	No Complaints Received		

DESCRIPTION OF INSTITUTION

Beach First National Bank is a one office institution located in Myrtle Beach, South Carolina. The

bank opened for business in September 1996 and is a subsidiary of Beach First National Bancshares, Incorporated a one bank holding company. The bank is located in a moderate income census tract.

Average assets were \$18 million as of December 31, 1997 with gross loans representing 34% of average assets. The loan portfolio is comprised of the following loan types:

- 25% Commercial and Industrial Loans
- 13% 1-4 Family Residential, Construction, Home Equity
- 34% Non-farm, Non-residential real estate
- 28% Consumer Loans

The bank's loan portfolio mix is consistent with the institution's overall strategic goals and objectives. Based on the bank's strategy, this evaluation will focus on the bank's service to the small business segment of the bank's assessment area. There are no financial or legal impediments restricting the lending activities of the bank.

DESCRIPTION OF THE ASSESSMENT AREA

The bank is located within the Myrtle Beach, South Carolina Metropolitan Statistical Area (MSA). The bank has defined its assessment area as a portion of the census tracts located in the MSA. The bank's assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

There are 15 census tracts in the assessment area. There are five upper income census tracts (33%), nine middle (60%), and 1 moderate income (7%) census tract in the assessment area. There are no low income census tracts in the assessment area. The 1990 census reported the Myrtle Beach MSA population at 164,000. Lending to borrowers of different incomes was evaluated on the basis of the 1997 statewide MSA median family income of \$36,300.

The local industry is comprised of a diverse mixture of tourism related concerns. Community leaders have set out to diversify the local economy by providing incentives to companies seeking relocation. Some of the areas largest non government employers are Sands Oceanfront Resort, Conway Hospital, AVX Corporation, Conbraco Industries, and CHF Industries.

The bank's local competition is provided by branches of regional and community banks located within the Myrtle Beach MSA. Because the bank's main competitors have different asset structures, the bank has no direct peer within its marketplace that is comparable in size and business philosophy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The average loan-to-deposit ratio since January 1997 is reasonable at 55%. Although the bank has

no direct peer within the Myrtle Beach MSA, this ratio is reasonable considering the bank began operations in September 1996.

Lending in the Assessment Area

A majority of the bank’s lending is within its defined assessment area. We reviewed the bank’s lending patterns using a sample of consumer loans originated since the bank began operations. The results of this sample indicated that 56% of the total number of all loans, and 56% of the total dollar amount of all loans, were made to borrowers within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The institution has extended credit to all segments of the community including low- and moderate-income segments. Based on a sample of 25 consumer loans originated from September 1996 to 12/31/97, the bank extended loans along the following income segments:

Originations to Borrower’s of Different Income Levels				
Income Category	# of Loans	% of Orig	\$ of Loans	% of Orig
Low	4	16%	70,850	28%
Moderate	8	32%	69,907	27%
Middle	7	28%	49,700	20%
Upper	6	24%	64,135	25%

The bank’s assessment area is comprised of 13% low-income, 19% moderate-income, 24% middle-income, and 44% upper-income families. The bank’s lending to low and moderate income individuals compares favorably to the assessment area demographics and indicates the bank’s willingness to serve the entire community including low- and moderate income families.

The bank’s primary focus is small business lending. Small businesses are defined as companies with less than \$1 million in annual revenues. A summary of findings is provided in the following chart:

Small Business Originations					
# Cml Originations	\$ Cml Originations	# Sm Bus Originations	% of Cml Originations	\$ Sm Bus Originations	% of Cml Originations
126	\$11,407	60	48%	\$1,402	12%

Loans to small businesses accounted for 48% of all commercial loan originations since September 1996. These loans represent 12% of the dollar volume of commercial loans originated for the period reviewed.

The institution's distribution of lending reflects reasonable penetration among businesses of different sizes. Small business loans of \$100,000 or less make up a substantial portion of the bank's commercial portfolio. Of 60 originations to small businesses, 59 loans were originated at or below \$100,000.

Geographic Distribution of Loans

The number and income distribution of geographies was not sufficient for meaningful analysis. There are no low income census tracts and only one moderate tract. Although geographic distribution analysis was not performed the bank has penetrated all census tracts in the assessment area. This level of penetration suggests the bank has made an effort to meet the credit needs of the community including low- and moderate income census tracts.

Review of Complaints

There have been no complaints received by the bank or the Office of the Comptroller of the Currency.

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

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations including the Equal Credit Opportunity Act. During our examination, we tested automobile loans to determine if similarly situated applicants had an equal chance of obtaining a loan. This testing disclosed no evidence of disparate treatment on a prohibited basis.