



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 6, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Oxford
Charter Number 9865

106 Courthouse Square
Oxford, Mississippi 38655

Office of the Comptroller of the Currency

Comptroller of the Currency
10201 West Markham Street, Suite 105
Little Rock, Arkansas 72205

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

- The average loan-to-deposit (LTD) ratio of 64% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans are in the bank's AA.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- No complaints pertaining to the bank's CRA performance were identified during this review.

SCOPE OF EXAMINATION

This Performance Evaluation is based on the period July 1, 2003 through March 31, 2009. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census Demographic information. First National Bank of Oxford (FNBO) is owned by First National Holding Company, a one-bank holding company. Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Small business loans originated were also considered in the Lending Test. A sample of loans was selected for each loan category based on internal bank reports.

DESCRIPTION OF INSTITUTION

First National Bank of Oxford (FNBO) is a \$258 million institution in Oxford, Mississippi, approximately 80 miles southeast of Memphis, Tennessee. There have been no significant changes to the bank's corporate structure, including merger and acquisition activities, since the last Community Reinvestment Act (CRA) examination. The bank's primary focus continues to be commercial and industrial loans, residential real estate loans, and construction and land development loans. The bank offers a full-range of loan and deposit services

FNBO operates within Lafayette County, Mississippi and is 100% owned by First National Holding Company. The bank's main office is located on the courthouse square in downtown Oxford, MS. The bank also has one full service branch (North Lamar) and two limited-service branches (University and Medical Center). All branches are located within the bank's AA of Lafayette County. Outside the normal business hours, only the Medical Center branch is opened on Saturday mornings.

In addition to offering a full range of banking services, there are three automated teller machines (ATMs) open 24 hours. Of these three ATMs, one is located at the main office, one at the Medical Center branch and one at the University branch. No financial constraints exist, which prohibit the bank from meeting AA credit needs.

The bank's competition consists of a main office and branch of the locally owned Oxford University Bank (OUB), as well as branches of Regions Bank, Merchants & Farmers Bank, Bancorp South Bank, Mechanics Bank, South Bank, Renasant Bank, Bank of Holly

Springs, First National Bank of Clarksdale and Bank of Commerce. While OUB is the only other locally owned bank than FNBO, it is not a similarly situated bank.

The bank's last CRA examination was performed as of June 30, 2003 and the bank received a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

FNBO's legal AA consists of all of Lafayette County, Mississippi. The 2000 U.S. Census median family income for non-metropolitan statistical areas in Mississippi, including the AA, was \$43,005. This number is used to determine the income level of the census tracts (CT) in the AA. FNBO's AA is comprised of two middle- and three upper-income CTs. There are no low- or moderate-income CTs in the AA.

According to the 2000 U.S. Census demographic data, Lafayette County reported a population of 38,744. The Department of Housing and Urban Development (HUD) 2008 updated median family income is \$40,300. This income figure is updated annually and is used to determine the income level of individual applicants. There were 8,391 families in the AA of which 1,296 or 15.45% were low-income and 1,188 or 14.16% were moderate-income. In addition, within the area, 1,472 or 17.54% were middle-income families and 4,435 or 52.85% were upper-income families.

Local economic conditions are depressed with 1.5% of the households receiving some form of public assistance and 23% of the households showing income below the poverty level. Approximately 10% or 3,814 persons were over the age of 65 in Lafayette County. Lafayette County has historically had a low unemployment rate. In 2008, unemployment within Lafayette County had risen to 4.8% vs. 2.6% in 2002.

FNBO's AA is primarily rural. The major employer within the county is the University of Mississippi. Additional employers within Lafayette County with more than 500 employees consist of Baptist Memorial Hospital, Whirlpool Corporation and the North Mississippi Regional Center.

Community contact was initiated with a local non-profit agency with knowledge of the small business needs within the bank's AA. The contact indicated that there are ample opportunities for participation by local financial institutions. Bank management noted efforts to reach small businesses through advertisements in local newspapers, radio and television as well as local community agencies and the US Small Business Development Agency.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBO's LTD Ratio Meets the Standard for Satisfactory Performance. The average quarterly loan-to deposit ratio is approximately 64%, which reflects a reasonable level of lending. FNBO's LTD ratio was calculated over twelve quarters beginning March 31, 2006 through December 31, 2008. FNBO's LTD ratio was compared to local competitors in the bank's AA.

Table 1 - Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 12/31/08)	Average Loan – to-Deposit Ratio
<i>First National Bank Oxford</i>	257,611	63.97%
Mechanics Bank	196,524	78.11%
First National Bank Clarksdale	291,284	72.81%
Oxford University Bank	80,435	80.66%

Source: Institution Reports of Condition from March 2006 to December 2008.

Lending in Assessment Area

Lending in AA Exceeds the Standards for Satisfactory Performance.

Based on a third party analysis on commercial and real estate loans originated in 2007 and 2008, 86.63% and 91.50% of those loans were originated in the bank’s AA. A sample of 40 loans, reviewed during this assessment, supported the findings of the independent analysis.

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

Lending to Borrowers of Different Incomes and to Business of Different Sizes Meets the Standard for Satisfactory Performance. Based on a sample of 20 residential loans funded during 2007, 2008, and 2009, FNBO’s distribution by borrower income for residential loans in the AA is satisfactory. The number of loans made to low- and moderate-income families is lower than the AA demographics. However, the absence of low- and moderate-income housing in the AA limits the opportunity of residential lending originated by the bank.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Lafayette County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Loan Sample	15.45	0.00	14.16	5.26	17.54	36.84	52.85	57.89

Source: 2007, 2008 and year-to-date 2009 Residential loan sample included residential home purchases, home improvement loans, and home refinance loans; 2000 U.S. Census Data

FNBO’s distribution of loans to small businesses is reasonable. A review of 20 business loans originated in 2007, 2008, and 2009 indicated that 45% of the numbers of loans sampled were made to small businesses within the AA. These results compare favorably with the 44% of small businesses in the respective AA. Approximately 54% of the businesses in the demographics data failed to provide adequate income information, making analysis difficult.

Table 2B - Borrower Distribution of Loans to Businesses/Farms in Lafayette County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	43.69	2.67	53.64	100%
% of Bank Loans in AA by #	45.00	35.00	20.00	100%
% of Bank Loans in AA by \$	5.81	85.26	8.93	100%

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Lafayette County				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	13	65.00	274,345	8.47
\$100,001 - \$250,000	2	20.00	681,685	21.05
\$250,001 - \$500,000	0	0.00	0	0.00
\$500,001 - \$1,000,000	3	15.00	2,282,150	70.48
Over \$1,000,000	0	0.00	0	0.00

2008 Geodemographic data and 2007, 2008, and year-to-date 2009 loan sample

Geographic Distribution of Loans

There are no low- or moderate-income census tracts within FNBO's AA. Therefore, we did not perform an analysis of geographic distribution of residential and business loans since the analysis would not reveal meaningful information

Responses to Complaints

FNBO has not received any complaints concerning the bank's lending performance.

Fair Lending or Other Illegal Credit Practices Review

Analysis found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.