



PUBLIC DISCLOSURE

October 18, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lucedale
Charter Number 15850**

**300 West Main Street
Lucedale, Mississippi 39452**

**Comptroller of the Currency
3838 N. Causeway Blvd., Suite 2890
Metairie, Louisiana 70002-1767**

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 **the First National Bank of Lucedale** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 18, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

Factors supporting First National Bank’s CRA rating are:

- C The bank has a loan-to-deposit ratio that exceeds the standards of satisfactory performance given its asset size, financial condition, and economic and lending opportunities in its assessment area. The average loan to deposit ratio was 91.7% during the evaluation period of December 31, 1996 through September 30, 1999.
- C A majority of the bank’s loans are to customers in its assessment area.
- C Credit is adequately distributed to borrowers of different income levels and businesses of varying sizes.
- C No complaints have been filed concerning the bank’s CRA performance during the current evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Lucedale (FNB) is a \$116 million institution chartered in 1973, and located in Lucedale, Mississippi. The bank is owned by First Lucedale Bancorp, a one bank holding company. The holding company has no other subsidiaries or affiliates.

FNB operates its full service main office along with two branches that serve all of George and Greene counties. Besides the main office in Lucedale, the bank has one motor branch in town which has one automated teller machine (ATM), and the other branch is located in the nearby community of Leakesville, Mississippi. The assessment area is rural and the economy is dependent on timber and related industries. The combined population of George and Greene Counties has tripled since the 1990 census, to 26,893 persons. This area has seen an increase in economic activity and population growth because of its proximity to the Mississippi Gulf Coast.

The bank continues to meet the credit needs within its assessment area by offering a variety of retail and commercial products and services that are commensurate with the bank's size and financial capacity. FNB has experienced tremendous loan growth since 1996, increasing its loan portfolio by \$42 million, an increase in the portfolio of eighty-eight percent (88%). Loans represent 78%, and investment securities 11%, of the bank's asset mix. The loan portfolio is diversified with approximately 48% in consumer loans, 30% in commercial loans, 19% in residential real estate loans, and 3% in agriculture loans.

No legal impediments exist that should prevent the bank from continuing to meet the credit needs of its entire assessment area. The last CRA examination of FNB of Lucedale was December 3, 1996, and the bank was assigned a "satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

FNB of Lucedale has defined its assessment area to include all of George and Greene counties. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies.

The income characteristics of the Assessment Area are described using information from the 1990 U.S. Census and from updated information produced by the Department of Housing and Urban Development. The median family income for George County according to the 1990 census data was \$21,652. The updated median family income for 1999 has increased to \$32,100. There are three income tracts located in George county, all of which are categorized as middle income. The median family income for Greene County according to the 1990 census data was \$20,863. The updated median family income for 1999 has increased to \$32,100. There are two income tracts located in Greene county, both in the middle income category.

George County's main employers are government, retail trade and manufacturing. The local economy has benefitted from the rise in employment in nearby locations of Pascagoula, Mississippi and Mobile, Alabama. Lucedale is fast becoming a bedroom community for workers on the Gulf Coast of Mexico. Casino gambling on the Mississippi Gulf coast continues to have a positive impact on the entire economy of the State of Mississippi. The largest employers for Greene County are the State of Mississippi Corrections Institution, Peavy Electronics, and the Greene County School District.

Competition from other banks in the assessment area is strong. Other banks serving FNB's assessment area include: Century Bank (formerly known as the Bank of Lucedale), a branch of Union Planters Bank (formerly Magnolia Federal Savings Bank), and a branch of First State Bank of Waynesboro, Mississippi.

Two community contacts were made in the assessment area, but neither identified any unmet credit needs of the community. They both mentioned that the growth in the housing market has driven up land prices and may begin to restrict home ownership to low and moderate income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FNB of Lucedale (FNB) is performing in a satisfactory manner in meeting the credit

needs of its assessment area consistent with its resources and capabilities.

Loan-to-Deposit Ratio

Since the last CRA evaluation dated December 3, 1996, FNB of Lucedale's loan-to-deposit ratio has averaged ninety-one percent (91%). During the eleven quarters since the last CRA examination, the loan-to-deposit ratio has ranged from a low of eighty-five percent (85%) to a high of ninety-four percent (94%) at December 31, 1998. As of September 30, 1999, the bank had a loan-to-deposit ratio of ninety-four percent (94%).

When compared to banks similarly situated to itself, FNB of Lucedale's loan-to-deposit ratio is excellent. The bank's competitors in Lucedale had an average loan-to deposit ratio of fifty-seven percent (57%), which included the two Mississippi based banks. Information for the Union Planters branch located in Lucedale was not available for this analysis.

Based on this information, FNB of Lucedale's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending in Assessment Area

A majority of the bank's dollar volume and number of loans are originated in its assessment area. A sample of FNB's loans were reviewed during the examination and the results of that review are shown in the following charts:

TOTAL SAMPLE REVIEWED		LOANS MADE IN AREA	
#	\$	#	\$
84	2,597,350	82%	72%

Different loan types are represented in the sample and in the bank's portfolio as shown in the next chart

LOAN TYPE	# IN SAMPL E	# IN AREA	% IN AREA	% OF TOTAL SAMPLE	% OF BANK PORTFOLI O
CONSUMER PURPOSE	36	30	83%	43%	48%
RESIDENTIAL REAL ESTATE	20	17	85%	24%	19%
BUSINESS PURPOSE	25	20	80%	30%	30%
FARM/AGRICULTURE	3	2	67%	3%	3%
TOTALS	84	69	82%		

Management prepares and reviews reports on a quarterly basis which show the number and dollar volume of loans originated inside and outside its assessment area, and in various income ranges, to ensure all segments of the community are served.

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

The distribution of loans reflects good penetration among individuals of different income levels and businesses of different sizes. The bank generates a report that tracks lending to borrowers of different incomes and businesses of different sizes. This report was used to evaluate the bank's lending practices. We sampled the 1-4 Family loans to verify the accuracy of the bank's report and found them to be accurate. The results of the 1-4 Family lending information produced by the bank are detailed in the following chart:

Median Family Income Classification	Income Breaks	Number In Area	1-4 Family Loans Percent In Sample	Dollars in Sample (000's)	Dollars Percent In Sample
Low-income	<16,050	290	11.5%	\$610	2.0%
Moderate-income	16,050-25,680	411	16.3%	\$674	2.2%
Middle-income	25,680-32,100	1090	43.2%	\$19,543	64.3%
Upper-income	>32,100	731	29.0%	\$9,583	31.5%

Virtually all of FNB's commercial loans and farm loans are to small enterprises, defined as businesses with annual revenues less than \$1 million and farms with annual

revenues less than \$500 thousand. The same bank generated report used for the above chart was used to analyze FNB's lending to small businesses and to small farms. The reports indicated that of the \$27 million in commercial loans, \$23 million were originated to small businesses which represents eighty-five percent (85%) of the portfolio. All of the farm loans listed on the report were to small farm operators. Overall, credit is adequately distributed to borrowers of different income levels and to businesses of different sizes.

Geographic Distribution of Loans

A geographic distribution analysis was not performed since it would not be meaningful. As noted earlier, there are no low or moderate income block numbered areas in the bank's assessment area.

Response to Complaints

The bank has not received any complaints regarding its CRA performance.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed in conjunction with the CRA examination. The scope included comparative file review of twenty-nine add-on interest consumer loans. Loan terms were compared between the female protected class approvals to male approvals. No instances of disparate treatment were noted and no violations of the substantive provisions of the anti-discriminations laws and regulations were cited during the examination.