



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**FIRST NATIONAL BANK OF HOLMES COUNTY
CHARTER NUMBER: 13313**

**100 Court Square
Lexington, Mississippi 39095**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee, 38103**

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 First National Bank of Holmes County prepared by Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 5, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTIONS RATING

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

We concluded that the bank's performance is "Satisfactory" based on the following:

- ▶ **The loan-to-deposit ratio is reasonable (considering seasonal variations) given the bank's size, financial condition, and assessment area credit needs.**
- ▶ **A majority of loans are in the bank's assessment area.**
- ▶ **The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.**
- ▶ **The distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.**

DESCRIPTION OF INSTITUTION

First National Bank of Holmes County (FNB) is a community bank headquartered in Lexington, Mississippi, with branches located in Durant, Pickens, and Tchula Mississippi. As of June 30, 1998, the bank had \$111 million in total assets with \$60 million in total loans. The bank's primary loan products are: agricultural, commercial, and consumer loans. FNB is a wholly owned subsidiary of First Holmes Corporation, Inc. (a bank holding company). As of the evaluation date, there were no legal or financial impediments which would limit the bank from fulfilling its obligation to meet the credit needs of its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area consists of Holmes County, Mississippi. The assessment area contains 5 Block Numbering Areas (BNA's). Two BNA's are considered low income and 3 are moderate income. There are no middle income or upper income BNA's in Holmes County. The combined population (1990 census) of the 5 BNA's was 21,604 (5,224 families). Forty percent of the residents in the County reside in the low income BNA's and the remaining 60% live in the moderate income BNA's. According to the Holmes County Economic Development Authority, the County's unemployment for August 1998 was 10.01%. This compares unfavorably to the 5.6% reported for the State of Mississippi and 4.5% nationally during the same time period. The 1998 updated median family income is \$29,800.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The bank's loan to deposit ratio is considered reasonable. As of the evaluation date, FNB had a loan-to-deposit ratio of 64.15%. This compares favorably to the only other similarly situated bank in the County, with a loan-to-deposit ratio of 63.85%. FNB's loan-to-deposit ratio for the last 10 quarters has averaged 66%. This ratio was calculated by adding the quarterly loan-to-deposit ratios, since the last exam dated September 1995, and dividing by the total number of quarters. Since the previous CRA examination, the bank's loan-to-deposit ratio has ranged from a low of 61.41%, in March 1998, to a high of 74.55%, in September 1997.

LENDING IN ASSESSMENT AREA

A substantial majority of the bank's loans, made year to date 1998, are within their assessment area. As of September 30, 1998, eighty two percent of the bank's loans were made within their assessment area and 18% were made outside the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area. A breakdown of loans made year-to-date as of September 30, 1998 is detailed in the following table:

FIRST NATIONAL BANK OF HOLMES COUNTY GEOGRAPHIC DISTRIBUTION OF LOANS AS OF SEPTEMBER 30, 1998			
BNA'S	INCOME DESIGNATION	NUMBER OF LOANS	PERCENT
#9501	MODERATE	370	12%
#9502	MODERATE	261	17%
#9503	LOW	348	15%
#9504	LOW	327	22%
#9505	MODERATE	479	16%
TOTAL		1,785	82%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

FNB has a reasonable distribution of loans to borrowers of different incomes and businesses of different sizes. Based on random sample of 40 consumer loans made year-to-date as of September 30, 1998, we found that 32 were made to low income borrower's, 7 were made to moderate income borrower's, and 1 was made to a middle income borrower. The chart below details this distribution.

FIRST NATIONAL BANK OF HOLMES COUNTY GEOGRAPHIC DISTRIBUTION OF LOANS AS OF SEPTEMBER 30, 1998		
INCOME LEVEL	NUMBER OF LOANS	PERCENT
LOW INCOME	32	80%
MODERATE INCOME	7	18%
MIDDLE INCOME	1	2%
UPPER INCOME	0	0%
TOTAL	40	100%

FNB also has a reasonable distribution of loans to small businesses and small farms. As of September 27, 1998 (YTD), the bank had made 141 small farm loans totaling \$29.5 million or 70% of the total farm loan originated during the year. At June 30, 1998, the bank had \$4.9 million in small business loans in their portfolio. This represented 83% of the total commercial loans within the portfolio.

RESPONSE TO COMPLAINTS:

The bank has not received any complaints from members of the community regarding the bank's CRA performance.

COMPLIANCE WITH FAIR LENDING LEGISLATION

A fair lending examination was conducted during our review of FNB. This examination did not disclose any instances of disparate treatment or discrimination and there were no substantive violations of the antidiscrimination laws and regulations found.