



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 23, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Oxford  
Charter Number 9865

101 Courthouse Square  
Oxford, Mississippi 38655

Office of the Comptroller of the Currency

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**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 59 percent 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.

**SCOPE OF EXAMINATION**

First National Bank of Oxford (FNBO) was evaluated under the Small Bank examination procedures. The bank's CRA performance was evaluated by assessing the loan-to-deposit ratio, lending performance inside the assessment area (AA), borrower distribution and lending volume to small businesses, and reviewing consumer complaints regarding CRA. This Performance Evaluation is based on the period April 7, 2009 through April 23, 2012.

FNBO's primary loan products are residential and commercial real estate loans. This bank is not required to report data under the Home Mortgage Disclosure Act (HMDA). To evaluate the bank's primary lending performance, we selected a sample of residential and commercial related loans made from January 1, 2009 through December 31, 2011.

Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census Demographic information. 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**

FNBO was chartered in 1910 and is a \$236 million institution in Oxford, Mississippi, approximately 80 miles southeast of Memphis, Tennessee. FNBO is owned by First National Holding Company, a one-bank holding company. 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 residential real estate loans, commercial and industrial loans, and construction and land development loans. The bank offers a full-range of loan and deposit services. As of December 31, 2011, the bank's loan portfolio totaled \$117 million, comprised of residential real estate loans (38 percent), other real estate loans (38 percent), commercial and industrial loans (11 percent), construction and development loans (7 percent), loans to individuals (5 percent), and other loans (<1 percent).

FNBO operates within Lafayette County and Lee County, Mississippi and is 100 percent

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 two full service branches (Tupelo and North Lamar) and two limited-service branches (University and Medical Center). All branches are located within the bank's AA of Lafayette County and Lee County. All branches have normal business hours Monday through Friday, but only the Medical Center branch is open 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.

Local competition in the AA is moderate. 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 March 31, 2009 and the bank received a Satisfactory rating. No financial constraints exist which prohibit the bank from meeting AA credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

FNBO's legal AA consists of all of Lafayette County and Lee County, Mississippi. The bank's AA complies with the requirements of the regulations and does not arbitrarily exclude any low-or moderate-income census tracts (CT). The 2000 U.S. Census median family income for non-metropolitan statistical areas in Mississippi, including the AA, was \$42,619. FNBO's AA is comprised of five (5) middle- and six (6) upper-income CTs. There are no low- or moderate-income CTs in the AA.

According to the 2000 U.S. Census demographic data, the AA has a population of 75,985. The Department of Housing and Urban Development (HUD) updated median family income for 2011 is \$41,600. This income figure is updated annually and is used to determine the income level of individual applicants. There are 18,223 families in the AA of which 2,883 (15.82 percent) are low-income and 2,497 (13.70 percent) are moderate-income. In addition, within the area, 3,282 (18.01 percent) are middle-income families and 9,561 (52.47 percent) are upper-income families.

Local economic conditions are challenging with 1.96 percent of the households receiving some form of public assistance and 19 percent of the households showing income below the poverty level. Approximately 11 percent of the AA or 8,187 persons are over the age of 65. The May 2012 unemployment rate in Lafayette County is moderate at approximately 7 percent, which is lower than the state unemployment rate of 8.7 percent.

FNBO's AA is primarily rural. The major employer within the county is the University of Mississippi. Additional large employers within the assessment area are: Baptist

Memorial Hospital, Whirlpool Corporation, Winchester, Wal-Mart, Caterpillar, and North Mississippi Regional Center.

Community contact was initiated with a local non-profit agency with knowledge of the credit needs within the bank's AA. The community contact indicated a continued need for affordable housing and home improvement loans.

<b>Demographic Information for Assessment Area</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	11	0%	0%	45.45%	54.55%
Population by Geography	75,985	0%	0%	39.49%	60.51%
Owner-Occupied Housing by Geography	17,844	0%	0%	35.30%	64.70%
Businesses by Geography	10,766	0%	0%	33.91%	66.09%
Farms by Geography	167	0%	0%	29.34%	70.66%
Family Distribution by Income Level	9,907	19.89%	1.99%	20.05%	45.07%
Household Distribution by Income Level	14,178	25.72%	14.02%	15.97%	44.29%
Census Median Family Income (MFI)	\$33,550				
HUD-Adjusted MFI: 2011	\$41,600		Median Housing Value		\$82,358
Median Family Income	\$42,619		Families Below Poverty Level		18.98%
Median Household Income	\$31,505		Unemployment Rate		3.55%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNBO's LTD Ratio is satisfactory. The average quarterly loan-to deposit ratio is approximately 59 percent, which reflects a reasonable level of lending. FNBO's LTD ratio was calculated over twelve quarters beginning March 31, 2009 through December 31, 2011. FNBO's LTD ratio was compared to local competitors in the bank's AA.

<b>Institution</b>	<b>Assets as of 4Q2011 \$(000)</b>	<b>Average LTD Ratio</b>
First National Bank of Oxford	\$235,532	59.48%
Oxford University Bank	\$93,670	83.21%

*Source: Institution Reports of Condition from March 2009 to December 2011.*

### Lending in Assessment Area

Lending in AA is excellent. Overall, a substantial majority (89 percent) of the loans reviewed were inside the assessment area. The loans from our sample, originated during 2009 through 2011, reflect strong numbers and reflect positively on the bank's efforts to lend within its assessment area.

<b>Table 1 - Lending in The FNB of Oxford AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	47	96%	2	4%	49	10,115	99%	91	<1%	10,206
Home Improvement	44	88%	6	12%	50	2,180	84%	408	16%	2,589
Refinance	50	85%	9	15%	59	5,737	91%	534	9%	6,271
Commercial	60	87%	9	13%	69	9,068	71%	3,748	29%	12,816
Totals	201	89%	26	11%	227	27,110	85%	4,782	15%	31,882

*Source: 2009, 2010 and 2011 Residential loan sample included residential home purchases, home improvement loans, and home refinance loans.*

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

Lending to Borrowers of Different Incomes and to Business of Different Sizes is satisfactory.

The bank's distribution by borrower income for home purchase loans is satisfactory. The percentage of the number of home purchase loans to low- income borrowers is less than the percentage of low- income families in the AA. However, the high poverty level in the AA (18.98 percent) significantly limits the bank's opportunity to make these loans. The percentage of the number of home purchase loans to moderate- income borrowers is near to the percentage of moderate- income families in the AA.

The bank's distribution by borrower income for home improvement loans is satisfactory. The percentage of the number of home improvement loans to low- income borrowers is near to the percentage of low- income families in the AA. The percentage of the number of home improvement loans to moderate- income borrowers is also near to the percentage of moderate- income families in the AA.

The bank's distribution by borrower income for home refinance loans is satisfactory. The percentage of the number of home refinance loans to low- income borrowers is less than the percentage of low- income families in the AA. However, the high poverty level in the AA (16.90 percent) significantly limits the bank's opportunity to make these loans. The percentage of the number of home refinance loans to moderate- income borrowers is near to the percentage of moderate- income families in the AA.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in The FNB of Oxford AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	15.82	4.26	13.70	10.64	18.01	21.28	52.47	63.82
Home Improvement	15.82	13.64	13.70	13.64	18.01	20.45	52.47	52.27
Refinance	15.82	6.00	13.70	6.00	18.01	24.00	52.47	64.00

*Source: 2009, 2010 and 2011 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 excellent. A review of 20 business loans originated in 2009, 2010, and 2011 indicated that 70 percent of the numbers of loans sampled were made to small businesses within the AA. These results compare favorably with the 67 percent of small businesses in the respective AA. Approximately 30 percent of the businesses in the demographics data failed to provide adequate income information, making analysis difficult.

<b>Table 2A - Borrower Distribution of Loans to Businesses in The FNB of Oxford AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.90	2.99	30.11	100%
% of Bank Loans in AA by #	70.00%	30.00%	0	100%
% of Bank Loans in AA by \$	72.20	27.80	0	100%

*Source: 2011 Geodemographic data and 2009, 2010, and 2011 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.