



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Oxford
Charter Number 9865**

**106 Courthouse Square
Oxford, MS 38655**

**Comptroller of the Currency
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Little Rock, AR 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The average loan-to-deposit ratio at 62% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans are in the bank's assessment area.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank of Oxford (FNBO) is a \$194 million institution in Oxford, Mississippi, approximately 80 miles southeast of Memphis, Tennessee. The bank's primary lending activity is centered in real estate. The bank's loan portfolio composition as of June 30, 2002 was as follows:

LOAN TYPE	DOLLAR VOLUME \$ (000)	PERCENT OF PORTFOLIO
Real Estate	\$75,162	78.48%
Agriculture	25	.03%
Commercial	8,911	9.30%
Individual/Installment	10,722	11.20%
Others	951	.99%
Total	\$95,771	100.00%

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 two full service branches (North Lamar and University) and one limited-service branch (Medical Center). All branches are located within the bank's assessment area of Lafayette County. Outside the normal business hours, only the Medical Center branch is opened on Saturdays from morning to noon.

In addition to offering a full range of banking services, there are four automated teller machines (ATMs) open 24 hours. Of these four ATMs, one is located in the University of Mississippi Student Union, one 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 assessment area credit needs.

The bank's competition consists of a main office of the locally owned Oxford University Bank (OUB), three branches of Union Planters National Bank, three branches of Merchants & Farmers

Bank (state chartered), three branches of Bancorp South Bank (state chartered), two branches of Mechanics Bank, one branch of Bank of Holly Springs (state chartered) and two branches of South Bank (a Federal Savings Bank). 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 July 12, 1999 and the bank was rated **Satisfactory**.

DESCRIPTION OF LAFAYETTE COUNTY

FNBO's legal assessment area consists of all of Lafayette County, Mississippi. The 1990 U.S. Census median family income for non-metropolitan statistical areas in Mississippi, including the assessment area, was \$21,994. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. FNBO's assessment area is comprised of one moderate, three middle, and one upper-income BNA's. None of the BNAs is considered low-income.

According to the 1990 U.S. Census demographic data, Lafayette County reported a population of 31,826. The Department of Housing and Urban Development (HUD) 2002 updated median family income is \$36,000. This income figure is updated annually and is used to determine the income level of individual applicants. There were 7,039 families in the assessment area of which 1,350 or 19% were low-income, 1,175 or 17% were moderate-income, 1,305 or 19% were middle-income, and 3,209 or 45% were upper-income families.

Local economic conditions remained stable with 7% of the households receiving some form of public assistance and 27% of the households showing income below the poverty level. Approximately 10% or 3,210 persons were over the age of 65 in Lafayette County. Lafayette County has had a long history of low unemployment. In 2002, unemployment within Lafayette County was only 2.6% vs. 2.7% in 1998.

FNBO's assessment area is primarily rural and the economy is based on the University of Mississippi. 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.

Our community contact was with the Executive Director of both Oxford-Lafayette County Chamber of Commerce and Economic Development Foundation. Based on the community contact, all the financial institutions in the area have ample opportunity to meet the assessment area credit needs. Also, it was stated that FNBO's perception in the community is very positive.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBO's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The average quarterly loan-to deposit ratio since the July 1999 examination has approximated 62%. There is no similarly situated bank in the bank's assessment area that might be compared to FNBO regarding the loan-deposit-ratio. However, it is noteworthy that the loan-to-deposit ratio for the moderate-income tract was the highest at 72% as of December 31, 2002. The loan-to-deposit ratios for middle-income and upper-income tracts were respectively 68% and 37%.

Lending in Assessment Area

A substantial majority of FNBO's loans are in the bank's assessment area. According to the independent third party¹ analysis, 84% of the total loans outstanding were in the bank's assessment area as of December 31, 2002. These loans amounted to about \$78MM, representing 83% of the dollar volume of the loan portfolio. Management geo codes all loans and deposits throughout the year, and this data is analyzed at year-end to determine the level of lending in the assessment area.

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. The following tables show the distribution of loans within the various income levels.

CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ²	19%		17%		19%		45%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
12 months ³	6.50%	4.18%	21.09%	11.11%	24.14%	17%	48.28%	67.71%

The table above shows consumer loans made to low-income borrowers were below the percentage of low-income people in the assessment area. However, consumer loans made to moderate-income borrowers were slightly above the percentage of moderate-income people in the assessment area.

1 Premier Insights, Inc.
 2 1990 Census
 3 Yr. 2002

The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS				
	TOTAL LOANS	LOAN DOLLARS	%LOANS	%DOLLARS
SIZE - Less than \$100M:	1,016	\$8,694,189	97.78%	68.25%
\$100M - \$250M:	14	1,403,207	1.35%	11.02%
\$250M - \$1MM:	9	2,639,824	.87%	20.73%
Revenues < \$1MM:	0	0	0%	0%
Revenues > \$1MM:	0	0	0%	0%
TOTAL:	1,039	\$12,737,220	100%	100%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The following table shows the distribution of total loans within the various income levels.

TOTAL LOANS								
BNA Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Population	0%		24.69%		54.52%		20.79%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
12 Months	0	0%	4.91%	9.75%	79.70%	67.53%	15.38%	22.72%

While the data in the table above indicates a low percentage of loans in relation to population in the moderate-income BNA, it should be noted that the University of Mississippi is located within that BNA. The analysis performed by Premier Insights, Inc., shows that instalment loans represented 30% of total loans made in the moderate-income tract. Instalment loans in the moderate-income tract represented 15% of the installment loan dollar volume. Total instalment loans represented 34% of the total loan portfolio as of December 31, 2002.

Responses to Complaints

No complaints have been received from public that specifically relate to the bank's performance in helping to meet the community credit needs.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1999.