



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 18, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**5110 Main Street
Lucedale, MS 39452**

**Comptroller of the Currency
New Orleans Field Office
3838 North Causeway Boulevard, Suite 2890
Metairie, LA 70002**

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.

First National Bank of Lucedale has a satisfactory record of meeting credit needs within the community, as evidenced by the following:

- The distribution of residential real estate secured and consumer loans to borrowers of different income levels is representative of the demographics of the bank's assessment area and meets the standard for satisfactory performance. The distribution reflects a reasonable penetration of loans to low- and moderate-income borrowers.
- The bank's lending performance exceeds the standard for satisfactory performance. Based on a sample of loans, a substantial majority of First National Bank of Lucedale's loans, 91 percent in number and 85 percent in volume, have been originated within its assessment area.
- First National Bank of Lucedale's average loan-to-deposit ratio meets the standard for satisfactory performance, given the bank's size, financial condition, the assessment area credit needs, and seasonal adjustments. The bank's loan-to-deposit ratio has averaged 71.9 percent for the 20 quarters since the last Community Reinvestment Act (CRA) evaluation.
- The bank's assessment area meets regulatory requirements. And,
- There have been no consumer complaints received during the evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Lucedale (FNB) is a \$78 million full service community bank wholly owned by Community Bancshares of Mississippi, Inc., headquartered in Brandon, Mississippi. Primarily a rural and timber community, Lucedale is located in Southeast Mississippi in George County near Mobile, Alabama and the Mississippi Gulf Coast. U.S. Highway 98, state highways 63, 57, 613, and 26, all run through George County. Interstate 10, a major east-west artery for the continental U.S., is approximately 20 miles south of Lucedale. Centrally located in a hub, Lucedale is geographically accessible and offers residents access to the benefits of several major metropolitan areas.

The bank provides its customers with two full service locations, one motor banking location, and two non-deposit taking automated teller machines that serve George and Greene counties. The main office, motor banking location, and one automated teller machine are located in the City of Lucedale in a middle-income census tract. A branch office and one automated teller machine are located in the City of Leakesville, Mississippi in a middle-income census tract.

To help meet the credit needs of its community, the bank offers a wide range of deposit and loan products for consumers and small businesses that are commensurate with bank's size and financial capacity.

Banking hours reasonably meet community needs with lobby hours Monday through Friday, extended Friday hours, and Saturday drive-in service.

The loan portfolio is diversified with approximately 78 percent in real estate loans, 16 percent in consumer loans, 5 percent in commercial loans and 1 percent in agricultural loans. Residential mortgage and consumer lending are the bank's primary lending focus.

No financial or legal impediments exist that impede First National Bank of Lucedale from meeting the credit needs of the assessment area. The last CRA examination of FNB was October 18, 1999, and the bank was assigned a *Satisfactory* rating.

Please refer to First National Bank of Lucedale's public file for more information about the institution.

DESCRIPTION OF GEORGE AND GREENE COUNTIES

First National Bank of Lucedale has defined its assessment area as all of George and Greene Counties. The bank's designated assessment area includes four contiguous census tracts that are designated as middle-income tracts and one upper-income tract. George and Greene counties do not include any low- or moderate-income census tracts. The assessment area meets the requirements of the regulation.

George and Greene Counties are primarily bedroom communities for neighboring Mississippi Gulf Coast area employees looking for rural living. Major employers are Northrop Grumman Ship Systems, Chevron Texaco Pascagoula Refinery, military bases, and the Port of Pascagoula. The unemployment rate in George and Greene counties is only 3.75 percent as compared to the state's December 2004 unemployment rate of 6.4 percent.

The assessment area's population statistics are 32,443. There are 8,842 owner-occupied single-family housing units and 1,864 rental housing units. The median value of a single-family residence is \$55,649, and the median family income is \$36,840. The weighted average monthly gross rent is \$396.

The Mayor of Lucedale indicated that the assessment area was experiencing a growing economy and that four new businesses will be opening in the near future, one of which will be a Holiday Inn Express. He spoke favorably of the performance of local banks in meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

First National Bank of Lucedale meets the standard for satisfactory performance in meeting the credit needs of its assessment area, including low- and moderate-income individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio (LTD) meets the standard for satisfactory performance. As of September 30, 2004, the bank's LTD was 70.47 percent with an overall average of 71.92 percent for the 20-quarter period, December 31, 1999 through September 30, 2004. This performance meets the standard for satisfactory performance, given the bank's size, financial conditions, assessment area credit needs, seasonal adjustments, and when compared to similarly situated banks.

Performance was compared with banks of similar size located in and around the assessment area. The period of comparison used for the two similarly situated institutions was the 20-quarter period since the bank's last CRA evaluation and is depicted on the table below.

Institution	Assets (000's) As of 09/30/04	Average LTD Ratio
Century Bank	\$167,528	66.20%
First State Bank	\$292,320	60.42%
<i>First National Bank of Lucedale</i>	<i>\$78,094</i>	<i>71.92%</i>

Lending in Assessment Area

First National Bank of Lucedale exceeds the standard for satisfactory performance for lending within its assessment area both in number and in dollar volume. Residential real estate secured and consumer loans comprise 94 percent of the loan portfolio and are the bank's primary lending focus. The random sample included 192 residential real estate secured loans and 60 consumer loans. Our analysis revealed 91 percent of the number and 85 percent of the dollar amount were originated within the assessment area. Performance for each category reviewed demonstrates a substantial portion of loans made within the assessment area as reflected on the following table.

Table 1 – Lending in George and Greene Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential R.E.	171	89	21	11	192	4,007,960	84	736,000	16	4,743,963
Consumer	58	97	2	3	60	335,215	88	45,698	12	380,913
Totals	229	91	23	9	252	4,343,175	85	781,698	15	5,124,876

Source: 2004 data reported under HMDA sample; bank's loan trial for 2003 and 2004.

Lending to Borrowers of Different Incomes

A review of 192 residential real estate secured loans was conducted to determine the bank's lending to borrowers of different income levels. Given the demographics of the assessment area, the penetration among borrowers of different income levels reflects a reasonable dispersion of 49 percent of the number of loans to low- and moderate-income borrowers. This performance meets the standard for satisfactory performance. Lending performance is compared with assessment area families in each income level derived from the 2000 Census and is reflected in the table below.

Table 2 – Borrower Distribution of Residential Real Estate Loans in George and Greene Counties								
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
1-4 Family R.E.	23.2	29	18.5	20	23.9	19	34.5	32

Source: 2004 data reported under HMDA sample; bank's loan trial for 2003 and 2004; 2000 U.S. Census

Consumer lending to persons of different income levels meets the standard for satisfactory performance with 52 percent of the number of loans extended to low- and moderate-income borrowers within the assessment area. The table below displays the distribution of 58 consumer loans from our sample as compared to the number of assessment area households in each income level.

Table 2B - Borrower Distribution of Consumer Loans in George and Greene Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22.4	28	12.9	24	16.3	26	48.5	22

Source: Bank's loan trial for 2003 and 2004; 2000 U.S. Census data.

Geographic Distribution of Loans

A meaningful analysis of the geographic distribution of loans could not be performed because there are no designated low- or moderate-income census tracts within the bank's assessment area.

Responses to Complaints

FNB of Lucedale has not received any CRA-related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.