



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 2, 2003**

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

**First National Bank of Picayune  
Charter Number 14592**

**121 East Canal Street  
Picayune, MS 39466**

**Comptroller of the Currency  
New Orleans Field Office  
3838 North Causeway Boulevard, Suite 2890  
Metairie, LA 70002-1767**

**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 Outstanding.**

Factors supporting this rating are:

- The bank has an excellent loan-to-deposit ratio given its asset size, financial condition, and the economic circumstances of its assessment area.
- A substantial majority of the bank's loans are to customers in its assessment area.
- Loan originations are reasonably distributed to borrowers of different income levels and businesses of varying sizes.
- The bank has not received any CRA-related consumer complaints since the prior CRA examination. A process is in place to handle complaints if the need arises.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Picayune (FNB) is a wholly owned subsidiary of First National Corporation of Picayune, a one-bank holding company headquartered in Picayune, Mississippi. FNB is a \$146 million intrastate financial institution with branch locations in Pearl River and Stone counties. The bank operates six branches and five Automated Teller Machines in Picayune, Poplarville, and Wiggins. Two branches have been opened since the last Community Reinvestment Act (CRA) examination, dated March 21, 1997. The Wiggins branch, operating under the name Southern National Bank, opened in October 1997. The Poplarville branch opened in April 1999.

The bank offers a full range of lending products with 79% of its total assets centered in the loan portfolio as of June 30, 2003. This is comparable to 73% at the prior CRA examination. The bank's primary lending products include residential real estate, real estate construction, commercial, and consumer loans.

As of June 30, 2003, the bank's loan portfolio mix is as follows:

<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>% of Total Loans</b>
Residential (1-4 Family)	46,986	40.6%
Real Estate (RE) Construction	24,137	20.9%
RE Nonfarm Nonresidential	22,428	19.4%
Consumer	13,399	11.6%
Commercial and Industrial	5,949	5.1%
Other	2,811	2.4%
<b>Total</b>	<b>115,710</b>	<b>100.0%</b>

FNB was rated *Outstanding* during the prior CRA Examination dated March 21, 1997. The bank's financial condition does not adversely impact its ability to meet the credit needs of the assessment area and no known legal impediments exist that would prevent the bank from continuing to meet those needs. The bank offers a variety of retail and commercial products and services that are commensurate with the bank's size and financial capacity.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area meets the requirements of the regulation. It consists of contiguous counties and does not arbitrarily exclude low- and moderate-income geographies. The assessment area is defined as Pearl River and Stone counties, which are not located in a Metropolitan Statistical Area (MSA). The assessment area is comprised of nine block numbering areas (BNAs) and includes no low-income or moderate-income tracts, seven middle-income tracts and two upper-income tracts.

Major manufacturers in the county produce metal and plastic containers, lumber, metal parts and fabrication, chemical products, hot asphalt, and aluminum and steel products. The major employer in the area is the Stennis Space Center. The service and retail trade industries also

provide a large number of jobs in the assessment area.

The area is highly competitive in financial services with numerous financial institutions located within the two-county area. Major competitors include branches of regional and national banks along with two community banks headquartered in the assessment area.

The family income level for the assessment area is characterized as follows: 20.1% low income, 17.3% moderate income, 16.9% middle income, and 45.1% upper income. The following table summarizes demographic data for the bank's assessment area based on 1990 Census data and 2002 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	13,725
Number of Households	17,549
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0.0%
% Moderate-Income Census Tracts/BNA	0.0%
% Middle-Income Census Tracts/BNA	78.0%
% Upper-Income Census Tracts/BNA	22.0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$23,825
1990 MSA/non-MSA MFI	\$21,994
Updated MSA/non-MSA MFI	\$36,000
<i>Economic Indicators</i>	
Unemployment Rate	4.0%
2001 Median Housing Value	\$43,698
% Of Households Below Poverty Level	22.0%

One community contact was made in conjunction with this examination. The contact is familiar with the economics of the assessment area and spoke highly of the banks operating in Pearl River County. It is his perception that the local financial institutions participate and give back to the community through donations and employee involvement in community activities. He mentioned the need for infrastructure and financing opportunities for small businesses.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The bank's performance reflects excellent responsiveness in meeting the credit needs of its assessment area consistent with its resources and capabilities. This conclusion was developed

after a review of bank records of loan originations made during 2002, 1990 census tract information, financial information provided in the quarterly Call Report, and discussion with the community contact. The basis of this conclusion is detailed as follows.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's average loan-to-deposit ratio is based on the prior 26 quarters and is 86% as of June 30, 2003. This compares favorably to the 78% average loan-to-deposit ratio at the last CRA examination. It is also favorable when compared to similarly situated banks in the assessment area. Below is a chart depicting comparative data as of June 30, 2003.

Institution	Assets as of 06/30/03 (000s)	Average LTD Ratio*
First National Bank of Wiggins (Wiggins)	53,000	80.9%
Bank of Wiggins (Wiggins)	128,000	71.3%
<b><i>First National Bank Picayune (Picayune)</i></b>	<b><i>146,000</i></b>	<b><i>85.5%</i></b>

\*The average LTD ratio is based on quarterly data reported from March 1997 through June 2003.

### Lending in Assessment Area

A substantial majority of the bank's loans are made to borrowers located within its assessment area. We sampled 25 loans from each of the bank's primary product lines: residential real estate, consumer, and commercial loans. Our analysis determined that 92.0% of the number of loans and 94.3% of the dollar amount of loans were made within the assessment area. The following table details our findings by loan category.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
RE Residential	24	96.0	1538	99.6	1	4.0	6	0.4
Consumer	22	88.0	231	94.1	3	12.0	15	5.9
Commercial	23	92.0	2876	91.6	2	8.0	262	8.4
Total Reviewed	69	92.0	4645	94.3	6	8.0	283	5.7

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

The distribution of borrowers reflects a good penetration among retail customers of different income levels and business customers of different size. Our sample included 21 residential real

estate loans totaling \$1.4 million; 21 consumer loans totaling \$229 thousand; and 23 commercial loans totaling \$2.9 million. A summary of our findings is presented in the following charts.

<b>RESIDENTIAL REAL ESTATE LOANS</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.7		17.3		16.9		45.1	
	% of Number	% of Amount						
	14.3	10.8	14.3	7.0	23.8	9.4	47.6	72.7

<b>CONSUMER LOANS</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23.0		14.2		15.8		46.9	
	% of Number	% of Amount						
	19.0	7.0	33.3	40.2	23.8	14.1	23.8	38.7

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on 1990 Census information, there are 2,443 businesses with revenues less than \$1 million located within the bank's assessment area. This number represents approximately 95% of all businesses within the assessment area.

Our commercial loan sample included 20 loans totaling \$2.9 million. Our analysis determined that 91% of the number and 94% of the dollar amount of commercial loans sampled were made to businesses with gross annual revenues less than \$1 million.

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	94.9	5.1
% of Bank Loans in AA #	91.3	8.7
% of Bank Loans in AA \$	93.7	6.3

### **Geographic Distribution of Loans**

As previously mentioned, all nine BNAs within the assessment area are designated as middle- or upper-income geographies. Therefore, a geographic distribution analysis would not be meaningful.

### **Responses to Complaints**

FNB received no complaints or public comments regarding its performance in helping to meet the assessment area needs during this evaluation period.

### **Fair Lending Review**

An analysis of consumer loans originated in 2002, as well as a review of public file comments and consumer complaint information was performed in accordance with the OCC's risk based fair lending approach. Based on its analysis of the information, a comprehensive fair lending examination was not conducted in connection with the CRA evaluation this year. The last comprehensive fair lending exam was performed in June 2000.