



Small Bank Performance Evaluation

PUBLIC DISCLOSURE

February 7, 2000

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of the Pine Belt
Charter Number 23724**

**1945 Highway 15 North
Laurel, Mississippi 39441**

Office of the Comptroller of the Currency

**100 Concourse Parkway, Suite 240
Birmingham, Alabama 35244**

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 the Pine Belt** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 7, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”

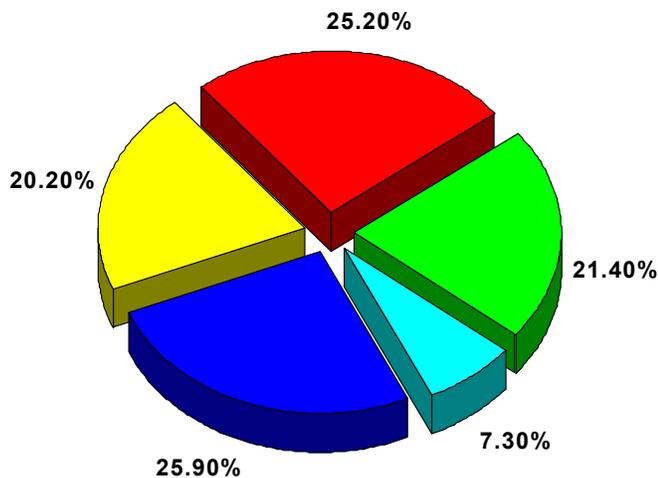
The rating is based on the following:

- ! A majority of the loans were made in the bank’s assessment area.
- ! Bank maintains a satisfactory ratio of loans to deposits. The bank’s quarterly loan to deposit ratio of 78% exceeds the other similarly situated financial institution headquartered in Jones County.
- ! Lending patterns indicate reasonable distribution of loans among borrowers and businesses of different income levels and sizes (low/moderate and small businesses/farms).
- ! The geographic distribution of loans reflects reasonable penetration throughout the assessment area given the bank’s size and limited presence in the market.

DESCRIPTION OF INSTITUTION

First National Bank of the Pine Belt (FNB) is a \$30 million community bank located in Laurel, Mississippi. FNB is wholly owned by First Bancshares in Hattiesburg, MS, a two-bank holding company. First Bancshares has total assets of approximately \$100 million. The bank opened for operations on January 19, 1999, as a newly chartered financial institution. The bank operates one full service office with an ATM from a temporary location during the construction of the permanent structure at the same site. First National's primary business focus is in consumer and small business lending. However, FNB offers such products as real estate and commercial loans and various deposit accounts. FNB had net loans as a percentage of total assets of 61% as of 12/31/99. The loan mix based on 12/31/99 Call Report is as follows:

Loan Portfolio Mix



■ Consumer RE ■ Commercial ■ Consumer ■ Commercial RE ■ Agricultural

This evaluation serves as the bank's initial CRA public evaluation. There are no legal impediments that would prevent the bank from meeting the credit needs of the community. However, the bank is limited somewhat based on size constraints associated with a relatively new operation in a competitive market area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is Jones County, MS. The AA contains one moderate-income, nine middle-income and one upper-income block numbering areas (BNAs). The median family income for the county is \$22,622. This figure is used to determine the income characteristics of each BNA within the county. FNB's AA meets all legal requirements set forth by the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas.

The analysis of lending to borrowers of different income levels (detailed later in this evaluation) is based on the Department of Housing and Urban Development (HUD) weighted average median family income. The statewide non-MSA updated median family income for 1999 is \$32,100. Low income is defined as less than 50% of the median family income (less than \$16,050), moderate income is between 50% and less than 80% (\$16,050 to less than \$25,680), middle income is 80% to 120% (\$25,680 to \$38,520), and upper income is considered anything over 120% (greater than \$38,520).

Based on the 1990 census, the total population for Jones County is approximately 62,031. The economic base is centered in manufacturing, healthcare, poultry processing, government and education related industries. Major employers in Jones County are: Howard Industries (all four divisions employing over 3,300), Ellisville State School and South Central Regional Medical Center (healthcare), Sanderson Farms and Wayne Poultry (poultry processing), and Mansonite (manufacturing). The local economy is considered to be good as a result of a fairly diversified employment base and low unemployment rate. The unemployment rate for Jones County was 2.7% as of December 1999 compared to the state of Mississippi average of 4.1%.

There are seven banks and one credit union operating in the assessment area including; branches of the largest state and regional financial institutions. FNB is one of only two banks headquartered in Jones County, both of which have been in operation less than two years.

Information received from two community contacts identified an increasing need for affordable rental housing; flexible home mortgage products and general counseling on banking and credit targeted to low- and moderate-income families. One of the contacts was complimentary of Bancorp South for hosting a credit - counseling seminar in one of the Laurel housing projects. The community contacts were not aware of any affordable housing programs offered by any of the local financial institutions in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio (LTD)

! FNB's loan to deposit ratio (LTD) is reasonable and meets standards for satisfactory CRA performance.

The bank's quarterly LTD ratios between 3/31/99 through 12/31/99 averaged 78.06%. FNB maintained a higher LTD ratio than a similarly situated financial institution headquartered in Jones County which opened approximately six months prior to FNB of the Pine Belt. As of September 30, 1999 (most recent available comparison information), FNB's LTD ratio was 83% compared to 72% for the Bank of Jones County.

Comparison of Credit Extended Inside and Outside of the Bank's Assessment Area

! A majority of both dollar and number of the loans are made to borrowers within the bank's assessment area.

A review of the bank's consumer real estate related loans made in 1999 revealed that 80% of the number and 83% of the dollar amount of loans were made within the assessment area. Our sample of 20 general-purpose consumer loans reflected even stronger lending penetration with 90% of the number of loans within the AA. These figures are represented in Tables 1 & 2 below.

Consumer Real Estate Loans - Table 1				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>Inside AA</i>	63	79.75%	\$2,182,000	82.84%
<i>Outside AA</i>	16	20.25%	\$452,000	17.16%
Total	79	100%	\$2,634,000	100%

Consumer Installment Loans - Table 2				
Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
<i>Inside AA</i>	18	90%	\$140,114	81.49%
<i>Outside AA</i>	2	10%	\$31,833	18.51%
Total	20	100%	\$171,947	100%

Source: Home Mortgage Disclosure Act (HMDA-LAR) and Internal Reports

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

- The distribution of loans to borrowers of different incomes and businesses of various sizes is reasonable and meets the standards for satisfactory CRA performance.

Consumer Real Estate Loan Distribution - Table 3					
Origination	% of Families by Income	# of Loans in AA	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
Low-Income	19.46%	8	10.13%	\$70,000	2.66%
Moderate-Income	17.26%	6	7.59%	\$72,000	2.73%
Middle-Income	20.45%	17	21.52%	\$392,000	14.88%
Upper-Income	42.83%	48	60.76%	\$2,100,000	79.73%
Total	100%	79	100%	\$2,634,000	100%

Table 3 above depicts the bank’s distribution of consumer real estate lending by borrower income levels. The bank’s lending to low- and moderate- income borrowers is less representative of the family income demographics based on 1990 census information. The most notable variance is in the lending to moderate- income individuals in comparison to benchmarks. However, as noted earlier in this evaluation, FNB of the Pine Belt is not as well established in market area due to its small size and short existence in comparison with local competitors.

Consumer Installment Loan Distribution - Table 4					
Origination	% of Families by Income	# of Loans in AA	% of Total by (#)	\$ of Loans in AA	% of Total by (\$)
Low- Income	19.46%	3	15%	\$7,345	4.27%
Moderate- Income	17.26%	2	10%	\$9,517	5.53%
Middle- Income	20.45%	5	25%	\$40,242	23.40%
Upper- Income	42.83%	10	50%	\$114,843	66.80%
Total	100%	20	100%	\$171,947	100%

Based on a sample of consumer loans reflected in the data above, the bank’s lending to low-income is fairly representative of demographic benchmarks with 15% of the number of loans compared to 19%. However, lending to moderate- income is less at 10% compared to 17%.

Business loans (commercial and commercial real estate) account for 42% of the bank’s total loan portfolio. As illustrated in Table 5 below, the distribution of loans to small businesses (gross revenues less than \$1 million) is satisfactory. Of the 79 business loans made, 63% of the number and 59% of the dollar amount were made to small businesses. FNB’s small business lending is less reflective of the business demographics for the assessment area, which indicates that approximately 89% of all businesses are classified as small. The lower dollar amount of small business lending is due to FNB’s purchase of several large commercial loan participations from outside of its AA during the first year of operation.

Business loans originated or renewed during 1999

Business Loan Distribution - Table 5					
Source	# Bus. Loans	# Small Bus. Lns.	% Small Bus. Lns.	\$ Amount Small Bus. Lns.	% of \$ Amt. Small Bus. Lns.
1990 Census Report	1,645	1,470	89.36%	NA	NA
Bank Loans	79	50	63.29%	\$8,448,669	58.94%

Source: CRA WIZ Business Demographic Data and Internal Loan Reports

Geographic Distribution of Loans

! First National Bank’s geographic distribution of loans reflects reasonable penetration among all areas considering the bank’s size and limited branch network.

As detailed earlier in this evaluation, the bank’s AA is comprised of mostly middle- income BNAs. There are no low- income and only one moderate- and one upper- income areas. Thus, the meaningfulness of this analysis is focused on the level of penetration in the one moderate-income BNA. Table 6 shows an only slightly lower but reasonable penetration in the moderate-income area than benchmark comparisons. Table 7 reflects that none of the general-purpose loans sampled during this evaluation were made in the moderate- income area. There are several mitigating factors for the lack of loans in the moderate- income BNA. FNB is a small institution with no presence in the area, while five other banks have branches in this area. Also, there is a significantly higher percentage of rental-occupied units (22%) in the moderate- income area than owner occupied units (9%) that somewhat limit residential lending opportunities.

Geographic Distribution of 1999 Consumer RE Loans - Table 6					
Income Level of BNAs	% of Owner Occupied Housing	# of Loans in AA	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
<i>Low (0)</i>	0.00%	NA	NA	NA	NA
Moderate (1)	8.73%	4	6.35%	\$16,000	0.73%
Middle (9)	78.13%	40	63.49%	\$1,073,000	49.18%
Upper (1)	13.14%	19	30.16%	\$1,093,000	50.09%
Total	100%	63	100%	\$2,182,000	100%

Source: CRA Wiz Data Demographics (from 1990 Census Data Report) and HMDA-LAR

Geographic Distribution of Consumer Loans - Table 7					
Income Level of BNAs	% of Population in BNAs	# of Loans in AA	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
<i>Low (0)</i>	0.00%	NA	NA		
Moderate (1)	12.55%	0	0.00%	\$0	0.00%
Middle (9)	74.79%	15	83.33%	\$84,510	60.32%
Upper (1)	12.67%	3	16.67%	\$55,604	39.68%
Total	100%	18	100%	\$140,114	100%

Source: CRA Wiz Data Demographics (from 1990 Census Data Report) and Sampled Loans

Table 8 reflects the bank's business lending distribution throughout the assessment area. FNB made 37 business loans representing 6% of the total business loans made in the one moderate-income BNA. Lending in the moderate-income BNA is not representative of business demographic data from the 1990 census, but is considered to be reasonable in light of the bank's limited presence and newness to the market.

Geographic Distribution of Business Loans - Table 8					
Income Level of BNAs	% of Total BNAs	# of Loans in AA	% of Total (by #)	\$ of Loans in AA	% of Total (by \$)
<i>Low (0)</i>	0.00%	NA	NA		
Moderate (1)	20.33%	37	6.38%	\$862,000	4.91%
Middle (9)	62.47%	441	76.03%	\$12,995,986	74.07%
Upper (1)	17.20%	102	17.59%	\$3,688,000	21.02%
Total	100%	580	100%	\$17,545,986	100%

Source: CRA Wiz Data Demographics (from 1990 Census Data Report) and Sampled Loans

Response to Complaints

! There have been no complaints received from the public.

Results of Fair Lending Review

Scope/Objective:

The purpose of this review was to determine whether the bank has adequate policies, procedures, and internal controls in place to monitor activities with respect to anti-discriminatory laws and regulations. Our Fair Lending sample consisted of a comparison of loan terms offered on all approved home improvement loans (25) reported on the HMDA-LAR in 1999. The primary objective was to ascertain whether rates and terms were comparable among prohibited basis groups.

Conclusion:

This examination found no evidence of disparate treatment or discriminatory credit practices during the review. Additionally, the bank is in substantial compliance with anti-discriminatory laws and regulations. Policies and procedures are adequate to govern day to day operations.