



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 4, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First American National Bank
Charter Number 15386

1251 Curtis Drive
Iuka, MS 38852-0000

Office of the Comptroller of the Currency

NASHVILLE
5200 Maryland Way Suite 104
Brentwood, TN 37027-5018

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 American National Bank (FANB) has an overall **satisfactory** record of meeting community credit needs. This is based on the following:

- The bank's quarterly loan-to-deposit ratio is reasonable and averaged 59.13% during the evaluation period. FANB's quarterly average loan-to-deposit ratio ranged from a low of 48.28% as of March 31, 2006 to a high of 64.61% as of March 31, 2003.
- Lending in the bank's assessment area is excellent. A substantial majority of FANB's loans are within the bank's assessment area (AA). Approximately 86% of the number and 88% of the dollar of loans were to borrowers within the AA.
- FANB's distribution of loans to borrowers of different income (including low-and moderate-income) levels is reasonable and loans to businesses of different sizes is good.

SCOPE OF EXAMINATION

This Performance Evaluation is based on the period January 1, 2006 through February 4, 2008. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census Demographic information. FANB is owned by First American Bancshares, Inc., a one-bank holding company. FANB owns a wholly-owned subsidiary, First American Insurance Services, Inc. There has been no data integrity reviews conducted prior to this evaluation.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Residential loans considered in the Lending Test originated between January 1, 2006 and February 4, 2008. Small business loans originated during the same time period were also considered in the Lending Test. A sample of loans was selected for each loan category based on internal bank reports. FANB is not a Home Mortgage Disclosure Act (HMDA) reporter. The evaluation covers the period October 30, 2002 through February 4, 2008.

First American National Bank (FANB) has one assessment area (AA) which includes all of Tishomingo County, Lee County, Itawamba County, and Prentiss County. The bank's overall rating is based on a full-scope review.

DESCRIPTION OF INSTITUTION

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 dated October 29, 2002 when the bank received a **satisfactory** rating. The bank's primary focus has not changed and continues to be commercial and industrial loans, residential real estate loans, and construction and land development loans. There are no legal or financial impediments to FANB's ability to meet the credit needs in its Assessment Area (AA) including retail and

community development loans, qualified investments, and community development services needs. The bank offers a full-range of loan and deposit services.

FANB’s main office is located in Iuka, Mississippi. Iuka is located in Tishomingo County, Mississippi. Additionally, there are four branch offices located in Tishomingo County with one branch each located in Belmont, Burnsville, Golden, and Tishomingo, Mississippi. There is one full-service branch and one deposit taking only branch in Fulton, Mississippi, which is in Itawamba County. In Lee County, there is one branch office located in Saltillo, Mississippi. In Prentiss County, there is one branch office located in Booneville, Mississippi. The bank also has seven ATM’s which adjoin the main office and six branch offices. Since the previous CRA examination, the bank opened one branch and purchased two branch offices from a large regional bank. One of the purchased branches was closed and consolidated into a nearby branch office.

As of December 31, 2007, FANB had total assets of \$226 million, of which net loans comprised 51.18%. The following table reflects the composition of FANB’s loan portfolio based on the December 31, 2007 Report of Condition.

	Product Category	
	Dollar (000’s)	Percent
Commercial & Industrial Including Commercial Real Estate	23,358	19.96
Residential Mortgage Loans	65,237	55.73
Construction & Land Development	10,945	9.35
Individuals	14,238	12.16
Farmland & Agriculture	130	0.11
All Other	3,145	2.69
TOTAL	117,053	100.00

Source: December 31, 2007 Report of Condition.

FANB provides a wide-range of traditional deposit and loan products. The main office is located in an area that is accessible to persons from different areas of the community. Lobby hours and drive-up hours also help to meet customer needs during the week. FANB has an ATM at all office locations except Golden and the deposit taking branch in Fulton, Mississippi.

Customers have 24-hour access to their accounts through the internet (www.fanb.net). Internet banking services include transfers between FANB accounts, review of account balances and transactions, access to loan account information, and the payment of loans. Internet banking customers also have bill-paying capability. Customers also have 24-hour access to account information only through the telephone banking system.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines *	
	#	%	#	%	#	%
Low	0	0.00%	0	0.00%	0	0.00%
Moderate	0	0.00%	0	0.00%	0	0.00%
Middle	18	72.00%	8	88.89%	6	85.71%
Upper	7	28.00%	1	11.11%	1	14.29%
NA	0	0.00%	0	0.00%	0	0.00%
TOTAL	25	100.00%	9	100.00%	7	100.00%

One branch office is a deposit taking- facility only. Seven ATMs are contiguous with branch locations. There is no free-standing ATM. All of these machines accept deposits and dispense cash.

FANB’s business strategy includes continued marketing of commercial credit to small businesses and 1-4 residential loans through its products, staff, and locations.

DESCRIPTION OF ASSESSMENT AREA(S)

FANB’s AA includes all twenty five (25) census tracts in Tishomingo, Itawamba, Lee, and Prentiss Counties, Mississippi. There are 4 census tracts in Tishomingo County, 5 in Itawamba, 11 in Lee, and 5 in Prentiss County. Eighteen (18) of FANB’s AA census tracts are middle-income and seven (7) are in upper-income tracts. Nine (9) of the twenty-five (25) census tracts are identified as distressed or underserved tracts. Eight (8) of the bank’s branches and six (6) of the bank’s ATMs are located in middle-income census tracts. One branch and one ATM are located in an upper-income census tract.

FANB’s AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. All four counties and all twenty-five census tracts are contiguous. There are no natural boundaries within FANB’s AA that hinder accessibility.

Demographic Information for FANB's AA

Tishomingo, Itawamba, Lee, & Prentiss Counties, Mississippi

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	0	0	72.00%	28.00%	0%
Population by Geography	143,244	0	0	64.72%	35.28%	0%
Owner-Occupied Housing by Geography	61,925	0	0	67.13%	32.87%	0%
Businesses by Geography	16,797	0	0	64.59%	35.41%	0%
Farms by Geography	271	0	0	74.54%	25.46%	0%
Family Distribution by Income Level	40,181	15.91%	14.89 %	20.90%	48.31%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	12,373	51.65%	48.35%	-	-	-
Median Family Income	= \$39,944	Median Housing Value		= \$68,682		
HUD Adjusted Median Family Income for 2007	= \$36,100	Unemployment Rates		= 6.40%		
Households Below the Poverty Level	= 8,906					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2007 HUD updated MFI. Unemployment rate is as of December 2007.

There are no low- and moderate-income census tracts within FANB's AA. Of the 40,181 families residing in FANB's AA, 6,391 (15.91%) and 5,982 (14.89%), respectively, are low- and moderate-income families based on the family distribution by income levels data in the table below. As of December 31, 2007, the unemployment rate for the State of Mississippi was 6.4% versus the national average of 4.8%. Unemployment also exceeded the national average in each of the four counties within FANB's AA. As of December 2007, unemployment for the counties of Tishomingo, Lee, Itawamba, and Prentiss was 7.6%, 6.0%, 6.5%, and 7.0%, respectively.

FANB is located in extreme north eastern Mississippi. Tishomingo County borders both the Tennessee and Alabama State lines. Itawamba County also borders the Alabama State line. Lee and Prentiss Counties share county lines with each other as well as Tishomingo and Itawamba Counties. Iuka, Booneville, Tupelo, and Fulton serve as the respective county seats of Tishomingo County, Prentiss County, Lee County, and Itawamba County. The bank's main office is located in Iuka which is on U. S. Highway 72, a major east-west interstate connector, and Mississippi Highway 25, which is a major north-south thoroughfare. The Tennessee Tombigbee Waterway also flows through Tishomingo County. Other towns located in Tishomingo County include Belmont, Burnsville, Golden, and Tishomingo. Other cities located in Prentiss County include Baldwin and several smaller towns. Other cities located in Lee County include Baldwin (also shared with Prentiss County) and Verona along with several smaller towns. Other towns located in Prentiss County include Mantachie and Tremont.

FANB's AA economic base is diverse. Over the past several decades, local economies have shifted from an agricultural economy into an industrial and service economy. Large industrial employers include the following: Tishomingo County – Alliant Techsystems, an advanced weapon and space systems company, employs 200; Itawamba County – Max Home, LLC and Hickory Hill Furniture Co., Inc., furniture and related product manufacturers, employ 240 and 230, respectively; Prentiss County – ACCO Brands, miscellaneous manufacturing employs 520, Heartland Building Products, Inc., plastics and rubber products manufacturing, employs 450, Hanniflin Corporation, transportation equipment manufacturing, employs 430, Corinthian, Inc., dba Status Leather, furniture and related product manufacturing, and Plumrose USA, Inc., food manufacturing, employ 300 each; Lee County – North Mississippi Health Services, health services, employ 4,286, Lane Furniture Industries, upholstered furniture, employs 2,670, Cooper Tire and Rubber Co., steel belted radial tire manufacturer, employ 1,520, Tupelo Public School District, education, employs 1,200, JESCO, Inc., construction/machine shop, employs 1,000, Wal-Mart & Sam's, retail, employs 979, BancorpSouth and Renasant Bank, banking, employ 800 and 390, respectively, Super Sagless, furniture hardware component manufacturer, employs 720, and Day-Brite Capri Omega, lighting fixtures and design manufacturer, employs 700. Non-manufacturing type employment includes retail, health care and social assistance, accommodations and food services, government, and education.

Recent plant announcements will significantly increase the assessment area's economic base over the next several years. In February 2007, Toyota Motors announced a \$1.3 billion investment in a new automobile assembly manufacturing plant. Numerous communities across the country were in competition for the Toyota Motor plant announcement. The plant will be located near Tupelo, MS and create 2,000 new jobs for the region and indirectly create work for many more. Automobile production is scheduled to begin by 2010. Other recent announcements also include a parts supplier, Toyota Boshoku America (TBA), which will make an initial \$80 million capital investment and employ 500 people. A second investment of \$20 million is expected to follow which will expand the number of jobs to 1,000. Additionally, Toyota Auto Body announced a \$200 million investment which will initially employ 400 workers. This firm will provide stamped parts, body weld parts, and plastic parts for Toyota to the assembly plant.

During the examination, a federal agency was interviewed for a community contact. The agency helps to improve the economy and quality of life by providing financial programs to support essential public facilities and services including housing. The agency also promotes economic development by providing loans to businesses. FANB has worked with this agency and is an approved lender in the USDA 502 guarantee loan program. FANB has also been a participant in the home buyer training outreach activity offered by the federal agency in Tishomingo County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Loan-to-Deposit Ratio Meets the Standards for Satisfactory Performance.

FANB's loan-to-deposit ratio is reasonable when compared to similarly situated banks and

factoring in the distressed and underserved portion of FANB's AA. FANB's competition consists of two independent community banks and two larger, mid-sized community banks. The independent banks are the Farmers & Merchants Bank, Baldwin, MS and Spirit Bank, Belmont MS. The large, mid-sized community banks are BancorpSouth and Renasant Bank. Both are headquartered in Tupelo, MS. For the twenty-three quarters from June 30, 2002 to December 31, 2007, FANB's quarterly average loan-to-deposit ratio was 59.13%. During the same period, Farmers & Merchants Bank and Spirit Bank's quarterly average loan-to-deposit ratios were 75.86% and 62.95%, respectively. BancorpSouth and Renasant Bank's quarterly average loan-to-deposit ratios were 76.91% and 83.21%, respectively, for the same time period. FANB's average loan-to-deposit ratio was the lowest of the five similarly situated banks.

During the twenty-three quarter period from June 30, 2002, FANB's highest quarterly loan-to-deposit ratio was 64.61% as of March 31, 2003 and the lowest was 48.28% as of March 31, 2006. With the exception of March 31, 2006, FANB's loan-to-deposit ratio was reasonably consistent during the quarters reviewed. The March 31, 2006 decline in the bank's loan-to-deposit ratio reflected the purchase of two regional bank branch deposits.

As of June 30, 2007, nine financial institutions with 67 offices controlled \$2.5 billion in deposits within Tishomingo, Itawamba, Lee, and Prentiss Counties, MS. FANB ranked fourth and controlled \$188 million, or 7.41%, of the market. BancorpSouth Bank, a state chartered bank headquartered in Tupelo, MS controlled the most deposits with a 44.03% market share. Other banks included one other state chartered bank and one regional bank controlled 25.00% and 7.64%, respectively, of market share. The remaining five (5) banks controlled 5.50%, 5.32%, 4.07%, 0.67%, & 0.36% of the market.

Lending in Assessment Area

Lending in Assessment Area Meets the Standards for Satisfactory Performance.

Lending in FANB's AA is excellent. Based on our residential and business loan samples for the period 2005 through December 31, 2007, 86.36% of the number and 88.37% of the dollar amounts were made in the bank's AA. These are excellent numbers and reflect positively on the bank's efforts to lend within its AA.

Lending in FANB AAs										
Loan Type(s)	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2006-2007 Residential Loans	52	85.25%	9	14.75%	61	\$2,671	86.83%	\$405	13.17%	\$3,076
2006-2007 Business Loans	24	88.89%	3	11.11%	27	\$1,165	92.48%	\$100	7.52%	\$1,265
Totals	76	86.36%	12	13.64%	88	\$3,836	88.37%	\$505	11.63%	\$4,341

Source: Loan Sample for 2006, 2007, and year-to-date 2008. Residential loan sample included residential purchases, home improvement loans, and home refinance loans. 2000 U.S. Census Data.

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

Lending to Borrowers of Different Incomes and to Business of Different Sizes Meets the Standard for Satisfactory Performance. Based on our loan sample, FANB's distribution by borrower income for residential loans in FANB's AA is low satisfactory. At 8.00%, the number of loans made to low-income families is lower than the AA demographics. The percent of residential real estate loans made to moderate-income borrowers is reasonable and only slightly lower than moderate-income family AA demographics.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type(s)	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Loan Sample	15.91%	8.00	14.89%	12.00%	20.90%	38.00%	48.31%	42.00%

Source: 2006, 2007, and year-to-date 2008 Residential loan sample included residential home purchases, home improvement loans, and home refinance loans; 2000 U.S. Census Data.

FANB's distribution of loans to small businesses is very good. Our review of business loans show that 82.61% of the number and 82.05% of the dollar amount of loans sampled were made to small businesses within FANB's AA. These results compare favorably with the 37.24% of small businesses in the respective FANB AA. The bank has done a good job collecting income information on all the business loans within our loan sample. The results of our business loan sample are somewhat skewed as approximately 60% (approximately 6 out of 10) of the businesses in the demographics data failed to provide adequate income information.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
Full Review: Tishomingo, Itawamba, Lee, and Prentiss County AA				
% of AA Businesses	37.24%	3.02%	59.74%	100%
% of Bank Loans in AA by #	82.61%	17.39%	0.00%	100%
% of Bank Loans in AA by \$	82.05%	17.95%	0.00%	100%

Source: 2005 Geodemographic data and 2006, 2007, and year-to-date 2008 loan sample.

Geographic Distribution of Loans

There are no low- or moderate-income census tracts within FANB'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

This criterion is not applicable for the period reviewed.

Fair Lending or Other Illegal Credit Practices Review

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs..