



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 5, 2013

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

Birmingham Field Office
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Birmingham, AL 35343

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 56.49 percent during the evaluation period. FANB's quarterly average loan-to-deposit ratio ranged from a low of 51.14 percent as of June 30, 2013 to a high of 64.22 percent as of September 30, 2009.
- Lending in the bank's assessment area is reasonable. A substantial majority of FANB's loans are within the bank's assessment area (AA). Approximately 85 percent of the number and 82 percent 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.

SCOPE OF EXAMINATION

This Performance Evaluation is based on the period February 5, 2008 to June 30, 2013. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census Demographic information. Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Due to the changes in the census data as of 2010, the loans considered in the Lending Test originated between January 1, 2010 and December 31, 2011. A sample of loans was selected based on internal bank reports. FANB is not a Home Mortgage Disclosure Act (HMDA) reporter. The evaluation covers the period February 5, 2008 to June 30, 2013.

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 of this non-MSA AA.

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 February 4, 2008 when the bank received a **satisfactory** rating. The bank's primary focus 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). The bank offers a full-range of loan and deposit services.

FANB is owned by First American Bancshares, Inc., a one-bank holding company. FANB owns a wholly-owned subsidiary, First American Insurance Services, Inc.

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, (Itawamba County), Mississippi. 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 nine ATM's which adjoin the main office and eight branch offices. Since the last examination, the bank has opened a loan production office in Tupelo. This office does not accept deposits.

As of June 30 2013, FANB had total assets of \$250 million, of which net loans comprised 44.21 percent. The following table reflects the composition of FANB's loan portfolio based on the June 30, 2013 Report of Condition.

	Product Category	
	Dollar (000's)	Percent
Residential Mortgage Loans	54,752	48.71
Commercial & Industrial Including Commercial Real Estate	40,746	36.25
Individuals	13,480	11.99
Farmland & Agriculture	3,179	2.83
All Other	257	0.23
TOTAL	112,414	100.00

Source: June 30, 2013 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.

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. Nine 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 twenty- five (25) census tracts in Tishomingo, Itawamba, Lee, and Prentiss Counties, Mississippi. There are four census tracts in Tishomingo County, five in Itawamba, eleven in Lee, and five in Prentiss County. Of the 25 tracts, 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 are located in middle-income census tracts. One branch is 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	41,348	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		= \$75,000		
HUD Adjusted Median Family Income for 2011	= \$41,600	Unemployment Rates		= 8.50%		
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 July 2013.

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 July 2013, the unemployment rate for the State of Mississippi was 8.5 percent versus the national average of 7.4 percent. Unemployment also exceeded the national average in each of the four counties within FANB's AA. As of July 2013, unemployment for the counties of Tishomingo, Lee, Itawamba, and Prentiss was 11.9 percent, 10.0 percent, 10.9 percent, and 10.8 percent, respectively.

FANB is located in extreme northeastern 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.

FANB's AA economic base is largely based in manufacturing and healthcare. Over the past several decades, local economies have shifted from an agricultural economy into an industrial and service economy. The largest employers in the AA include Golden Manufacturing (military clothing), Toyota (trucks), Cooper Tire (auto parts), Tiffin Motor Homes (RVs), Alliant Techsystems (aerospace), and ACCO (office supplies). The largest nonmanufacturing employer is North Mississippi Health System.

There are 14 financial institutions with branches in the bank's AA. Major competitors for FANB include Bancorp South, Renasant Bank, Trustmark National Bank, and Farmers and Merchants Bank.

During the examination, we contacted an individual familiar with economic development in the AA. The individual identified small business lending and residential construction and development as the primary credit needs in the community at this time.

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. Similarly situated institutions consist of one independent community bank and one larger community bank. The independent bank is the Farmers & Merchants Bank, Baldwin, MS. The larger community bank is Renasant Bank headquartered in Tupelo, MS.

For the twenty-two quarters from March 31, 2008 to June 30, 2013, FANB's quarterly average loan-to-deposit ratio was 56.49 percent. During the same period, Farmers & Merchants Bank quarterly average loan-to-deposit ratio was 71.74 percent. Renasant Bank's quarterly average loan-to-deposit ratio was 84.96 percent for the same time period. FANB's average loan-to-deposit ratio was the lowest of the three similarly situated banks.

During the twenty-two quarter period from March 31, 2008, FANB’s highest quarterly loan-to-deposit ratio was 64.22 percent as of September 30, 2009 and the lowest was 51.14 percent as of June 30, 2013.

As of June 30, 2012, fourteen financial institutions with 67 offices controlled \$2.8 billion in deposits within Tishomingo, Itawamba, Lee, and Prentiss Counties, MS. FANB ranked third with 7.65 percent market share. BancorpSouth Bank, a state chartered bank headquartered in Tupelo, MS has the largest market share with 35.76 percent. Other banks included one other state chartered bank had market share of 28.79 percent. The remaining eleven banks had market share ranging from 6.84 percent to 0.01 percent.

Lending in Assessment Area

Lending in Assessment Area Meets the Standards for Satisfactory Performance.

A substantial majority of FANB’s lending is inside the AA. Based on our residential loan sample for the period January 1, 2010 through December 31, 2011, 85 percent of the number and 82.83 percent of the dollar amounts are in the bank’s AA.

Lending in FANB AAs										
Loan Type(s)	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2010-2011 Residential Loans	16	80.00%	4	20.00%	20	\$1,365	82.83%	\$283	17.17%	\$1,648

Source: Loan Sample for 2010 and 2011. 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 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 reasonable. The percentage of loans to low-income borrowers is less than the percentage of low-income families in the AA. However, opportunities to make these loans are limited by the 15.96 percent of potential borrowers in the AA that live below the poverty level. The percentage of loans to moderate-income borrowers is excellent. The percentage of residential real estate loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

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%	0.00	14.89%	15.00%	20.90%	30.00%	48.31%	55.00%

Source: 2010 and 2011 residential loan sample. Residential loan sample included residential home purchases, home improvement loans, and home refinance loans; 2000 U.S. Census Data.

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 since the analysis would not be meaningful.

Community Development Lending

During the examination period, the bank made several community development loans within the community. This performance had a positive impact on the overall rating.

Responses to Complaints

The bank has not received any consumer complaints during this period.

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.