

PUBLIC DISCLOSURE

February 9, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First State Bank
Certificate Number: 15663**

**708 Azalea Drive
Waynesboro, Mississippi 39367-2719**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Dallas Region – Memphis Area Office
5100 Poplar Avenue, Suite 1900
Memphis, Tennessee 38137**

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.

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 State Bank, Waynesboro, Mississippi** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 9, 2009**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

First State Bank received a Community Reinvestment Act (CRA) rating of Satisfactory based on the Intermediate Small Bank performance criteria at its previous FDIC evaluation dated February 14, 2006.

The FDIC evaluates Intermediate Small Banks under the Lending and the Community Development Tests. Regulators weigh both tests equally when arriving at the overall rating. Individual ratings for the Lending and the Community Development Tests are summarized below. Performance under each test is detailed elsewhere in the evaluation.

Lending Test

First State Bank demonstrated a satisfactory record regarding the Lending Test. Once it was determined that the loan-to-deposit ratio and its lending percentages inside the assessment areas were satisfactory, examiners focused on performance by the loan dispersion based on the borrower's profiles and then by the loans' geographic distribution, when arriving at the test's rating. The institution exhibited the following records regarding the performance criteria used to evaluate the test:

- The bank's average quarterly net loan-to-deposit ratio of 65 percent demonstrated satisfactory performance.
- The institution exhibited a satisfactory record of granting loans inside its assessment areas. The bank made a majority of its loans inside its assessment areas.
- The bank displayed a satisfactory distribution of loans given the demographics of the assessment area among businesses of different sizes and borrowers with different income levels.
- The bank displayed a poor record of geographically distributing its loans.
- No CRA-related complaints were received by the bank, so this factor was not evaluated.

- First State Bank originated a \$500,000 loan to a foundation for the purpose of providing safe, secure, and crime-free residences to 120 low- and moderate-income persons living in a retirement/nursing facility.
- First State Bank originated four loans totaling \$1.6 million for the purpose of providing multi-family housing units in designated underserved and distressed areas to low- and moderate-income families.

Community Development Investments

First State Bank's number and dollar volume of qualified investments reflects a good level of responsiveness to the area's needs for such investments. The bank's investment portfolio is approximately \$154 million. The bank has identified a total of \$3,929,508 in combined qualified investments. This represents 1.08 percent of average assets, 9.65 percent of average equity, and 14.69 percent of aggregate net income over the 11 quarters since the previous evaluation. The percentage of community development investments to total assets is 0.99 percent. Examples of qualified investments are noted below:

- First State Bank invested \$2,827,000 in bonds issued by a county government in their assessment area. The bonds were issued to acquire, improve, construct, renovate, repair, heat, cool and equip school buildings and related facilities in a Federally-designated disaster area.
- First State Bank invested \$650,367 in bonds issued by a county government school district in their assessment area. The bonds were issued to provide refunding in advance of maturity a 1997 Refundable Bond, thereby, reducing the debt service requirements of the school district and resulting in a net present debt service savings to the school district of not less than two percent of the par amount of the Series 1997 Refundable Bonds. This school district is in a designated distressed and underserved county.
- First State Bank invested \$372,641 in general obligation bonds issued by a county government in their assessment area. The bonds were issued to purchase or erect, equip, repair, reconstruct, remodel and enlarge the county jail and related facilities, and the purchase of land in a Federally-designated disaster area.
- First State Bank has contributed approximately \$63,000 since the last evaluation, to local schools and non-profit organizations throughout their assessment area. All of the schools within the assessment areas are in designated disaster areas due to the effects of Hurricane Katrina.
- First State Bank has contributed \$16,500 to Hope Village for Children, a local, non-profit agency providing shelter services for abused or neglected children.

Community Development Services

The extent to which the bank provides Community Development Services reflects a satisfactory level of responsiveness to the area's needs. The bank achieved this level of performance through its provision of services benefiting low- and moderate-income individuals, as well as those located in disaster areas and through its employees using their financial expertise to assist organizations extending educational, health, or social services targeted to low- or moderate-income persons.

The bank's services include the location of its two full-service branches and four limited-service branches in Wayne County Mississippi. Wayne County census tracts are all designated distressed and underserved. In addition, all of the bank's branches are located in designated disaster areas as a result of Hurricane Katrina. Table 16 contains examples of the bank's participation in community development services.