



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank At Paris
Charter Number 14209**

**11 East Main Street
Paris, AR 72855**

**Comptroller of the Currency
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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 Satisfactory.

- ◆ The average loan-to-deposit ratio at 65% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank at Paris (FNBP) is located in Paris (Logan County), Arkansas (AR) which has a population of 3,707 according to the 2000 census. The bank has a branch in Booneville (located 24 miles southwest of Paris with a population of 4,117), Caulksville (located 8 miles west of Paris with a population of about 233 people), and Waldron (located 48 miles south of Paris in adjacent Scott County with a population of 3,508). All of the offices have drive-in facilities and all have automated teller machines (ATMs) except for the Caulksville branch. The Booneville office was opened in 2000 and the Waldron office was acquired from Superior Federal Savings and Loans (Fort Smith, AR) in the summer of 1998. As of March 31, 2003, the bank reported total assets of \$92 million with \$76 million in deposits and \$61 million in loans (66% of total assets).

The bank's primary business focus is residential real estate, agriculture, and commercial loans. FNBP offers residential real estate, home improvement, consumer, agriculture, commercial real estate, commercial and business loans. The loan portfolio composition as of March 31, 2003, is as follows:

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$25,474	42%
Commercial & Commercial Real Estate Loans	\$14,474	24%
Agriculture Loans	\$14,771	24%
Consumer Loans	\$6,074	10%
Total	\$61,193	100%

FNBP offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by First Paris Holding Company, a one-bank holding company located in Paris, AR. The bank's last CRA examination was performed as of February 2, 1998 and was rated **Satisfactory**.

DESCRIPTION OF LOGAN AND SCOTT COUNTIES

FNBP's assessment area (AA) is all of Logan and Scott Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are nine Block Numbering Areas (BNAs) in the AA, eight of which are middle-income and one that is moderate-income. These BNAs are: 9501, 9502, 9503, 9504, 9505 and 9506 in Logan County; and 9501, 9502 and 9503 in Scott County. The Median Family Income (MFI) for non Metropolitan Statistical Areas (MSA) in Arkansas was \$22,208 in 1990. This income figure is used to determine the income level of individual BNAs. BNA 9503 in Scott County is a moderate-income tract. The 2002 Housing and Urban Development (HUD) estimated MFI for non-MSA in Arkansas was \$34,200. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants.

Paris is located in the west central part of the state. According to 2000 Census Date, the population of Logan and Scott counties was 22,486 and 10,996 respectively. The economy of these two counties is considered to be in a slow growth mode.

The largest employer in Paris is Cloyes Gear Company that manufactures various gears and transmissions for the automobile industry. The number of employees is about 600 people. Tyson Foods, Inc., has a poultry processing plant in Waldron that employs about 1,100 workers. Unemployment as of March 2003 was 4.7% for Logan County and 3.6% in Scott County. The unemployment rates for Logan and Scott Counties are below the Arkansas average of 5.3% and the U.S. average of 5.8% as of March 2003.

The following table shows the demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	8,813
Number of Households	11,599
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	11%
% Middle-Income Census Tracts/BNA	89%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$22,208
2002 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	4.7%
1970 Median Housing Value	\$32,752
% of Households Below Poverty Level	21.54%

A community contact with the executive director of the Paris Chamber of Commerce was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBP's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. There are two other banks that are headquartered and similarly situated in the AA. These banks are the Logan County Bank (Scranton, AR) and Bank of Waldron (Waldron, AR). Although First Western Bank is headquartered in Booneville (Logan County) it is not similarly situated. First Western Bank was formed in May 2000 through the merger of Citizens Bank of Booneville and First Western Bank and Trust in Rogers, AR. First Western Bank has assets of \$205 million as of March 31, 2003 and has three distinct and separate assessment areas. The following table shows total assets as of March 31, 2003 and the quarterly average loan-to-deposit ratio from December 31, 1998 through March 31, 2003 (18 quarters) for these three similarly situated banks.

Institution	Assets (as of 3/31/2003)	Average LTD Ratio
FNB-Paris, AR	\$92 million	65%
Logan County Bank, Scranton, AR	\$52 million	52%
Bank of Waldron, Waldron, AR	\$84 million	63%

Lending in Assessment Area

A majority of FBNBP loans, especially by number, are in the bank's assessment area. A sample of 30 consumer loans, 30 residential real estate loans, and 30 agriculture and commercial loans made during 2002 was reviewed to determine lending within the assessment area. Lending within the assessment area is detailed in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	23	77%	\$177	79%	7	23%	\$46	21%
Residential	28	93%	\$1,498	93%	2	7%	\$56	4%
Agriculture & Commercial	24	80%	\$1,491	54%	6	20%	\$1,263	46%
Total Reviewed	75	83%	\$3,166	70%	15	17%	\$1,365	30%

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. The same samples for lending within the assessment area were used to determine lending to borrowers of different incomes. The following tables show the distribution of residential real estate and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21%		17%		25%		37%	
LOANS BY YEAR	% of Number	% of Amount						
2002	4%	1%	24%	19%	36%	34%	36%	46%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25%		17%		19%		39%	
LOANS BY YEAR	% of Number	% of Amount						
2002	22%	15%	22%	35%	34%	41%	22%	9%

The above tables show that most of the residential real estate loans were made to middle-income and upper-income borrowers with loans to low-income borrowers significantly below the percentage of low-income people in the assessment area. However, residential loans to moderate-income borrowers by number and dollar amount were above the percentage of moderate-income people in the assessment area.

Consumer loans made to low-income and moderate-income borrowers were also above the percentage of low-income and moderate-income people in the assessment area. Moreover, consumer loans by dollar amount to moderate-income borrowers were significantly above the percentage of moderate-income people in the assessment area.

A sample of 30 business and farm loans made during 2002 was reviewed. Six loans were outside the assessment area and 24 loans were inside the assessment area. Of the 24 loans in the assessment area, 22 had revenues of less than \$1 million. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95%	5%
% of Bank Loans in AA #	92%	8%
% of Bank Loans in AA \$	90%	10%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The same samples for lending within the assessment area were used to determine lending to borrowers of various income areas. The following tables show the distribution of residential real estate, consumer, and business and commercial loans within the various BNA income levels.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0%		8%		92%		0%	
	% of Number	% of Amount						
2002	0%	0%	7%	11%	93%	89%	0%	0%

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		7%		93%		0%	
	% of Number	% of Amount						
2002	0%	0%	13%	3%	87%	97%	0%	0%

AGRICULTURE AND BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		2%		98%		0%	
	% of Number	% of Amount						
2002	0%	0%	0%	0%	100%	100%	0%	0%

The above tables show that the bank is making residential real estate and consumer loans to borrowers located in the moderate-income BNA. The percentage for residential real estate loans is almost equal by number and above by amounts to the percentage of borrowers located in the moderate-income BNA. The percentage for consumer loans by number is also above the percentage of borrowers located in the moderate-income BNA, but below by amounts. Based on the sample, there were no agriculture or business loans made to borrowers that are located in the moderate-income BNA. However, only 2% of these borrowers are located in the moderate-income BNA.

Responses to Complaints

First National Bank at Paris has not received a formal CRA complaint since the previous examination.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.