



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 19, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Paris National Bank
Charter Number 5794**

**118 N. Main Street
Paris, MO 65275**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103**

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. The major factors that support this rating are:

- The bank's lending distribution to businesses and farms of different income levels is satisfactory based on the demographics of the bank's assessment areas (AAs).
- Loans are reasonably distributed by geography classification.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 74% and compares satisfactorily to similarly situated banks in the AAs.
- A significant majority of the bank's loans extended during this evaluation period were originated within the bank's AAs.

DESCRIPTION OF INSTITUTION

The Paris National Bank (PNB) is an intrastate bank wholly owned by Paris Bancshares, Inc., a one-bank holding company located in Paris, Missouri. The period covered for this CRA evaluation is from January 1, 2004 through January 19, 2006. As of September 30, 2005, PNB had total assets of \$59 million, net loans of \$37 million, total deposits of \$40 million, and total risk-based capital of \$7 million. PNB's assets represent substantially all of the holding company's assets. There has been one change in the bank's corporate structure since the last CRA evaluation; the bank opened a loan production office (LPO) in Wildwood, Missouri, in 2004.

PNB offers traditional bank services and loan products normally associated with a rural community bank. PNB operates one office, located in Paris, Missouri, an LPO, and one cash-dispensing ATM. Management has not closed any branches during this evaluation period. As of September 30, 2005, net loans totaled \$37 million, representing 63% of total assets. The loan portfolio consisted of 46% farm real estate/agriculture production loans, 25% commercial real estate/business loans, 19% residential real estate loans, 5% construction/development loans, 4% consumer loans, and 1% other loans.

We evaluated PNB's agricultural and business lending using data for the period beginning January 1, 2004 through January 19, 2006. Agricultural and business loans represent the highest percentages of loans originated during this evaluation period by dollar value. Accordingly, we focused our performance evaluation on these loan types.

We found no legal or financial factors constraining the bank's ability to help meet community credit needs; the bank has adequate resources to provide for the credit needs of its AAs. The type and level of CRA activities is consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the communities the bank serves.

PNB's last CRA evaluation was August 3, 1998; at that time we rated the bank's CRA performance Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

Non-Metropolitan Statistical Area AA (Non-MSA AA)

Management has designated Monroe and Shelby Counties and portions of Audrain, Marion and Ralls Counties as one of the bank's AAs. This non-MSA AA is a contiguous area, meets the requirements of the regulation, and contains ten Census Tracts (CTs). Based on the 2004 State of Missouri non-MSA median family income, the ten CTs are classified as middle-income.

The 2000 Census data shows that the total population in the non-MSA AA was 30,994 and included 8,760 families. Of these families, 1,362 (15%) were classified as low-income, 1,492 (17%) as moderate-income, 2,164 (25%) as middle-income, and 3,742 (43%) as upper-income. The non-MSA statewide median family income as of the 2000 Census was \$36,175. The Department of Housing and Urban Development's 2004-updated figure, adjusted for inflation, was \$44,000. We used the 2004-updated figure in our analysis to determine the borrower income levels.

Based on the 2000 Census data for the non-MSA AA, 15% of the population was over age 65, 14% of households were in retirement, and 12% of households lived below the poverty level. In 2000, the median housing value was \$67,366 and the median age of the housing stock was 32 years. Local housing was 80% 1-4 family units, with 66% of housing units owner-occupied and 17% of the housing stock vacant.

The local economy is primarily supported by agriculture, service-related businesses, and retail trade businesses employing 1-4 persons. Major employers in the area include the Paris School District, Monroe County, Monroe Manor, and Monroe County Service Company.

Economic conditions in the non-MSA AA have been relatively stable. The November 2005 seasonally unadjusted unemployment rates for Monroe, Audrain, Marion, Ralls and Shelby Counties were 5.2%, 5.4%, 5.1%, 5.1% and 4.8%, respectively. The national and Missouri unemployment rates for the same time period were comparable at 4.8% and 5.3%, respectively.

Competitive pressures are strong. There are 46 offices of 27 commercial banks and savings institutions operating in Monroe, Audrain, Marion, Ralls and Shelby Counties. Credit unions, mortgage companies, investment services, farm services, and insurance company offices that offer loan products also provide competition.

We made one community contact with a local city official to further our understanding of the community's credit needs. Our contact did not identify any unmet credit needs and felt that the local banks are involved in the community.

Metropolitan Statistical Area AA (MSA AA)

Management has designated St. Charles, Lincoln and Warren Counties, which are part of the St. Louis, Missouri Metropolitan Statistical Area (MSA 41180), as its second AA. The MSA AA is a contiguous area, meets the requirements of the regulation, and contains 66 CTs. Based on the 2000 MSA median family income, 26 of the CTs or 39% are classified as upper-income, 36 or 55% are classified as middle-income, and 3 or 5% are classified as moderate-income. One CT or 1% is not classified in any of the income categories.

The 2000 Census data shows that the total population in the MSA AA was 347,352 persons, which included 94,947 families. Of these families, 11,195 (12%) were classified as low-income, 15,456 (16%) as moderate-income, 23,740 (25%) as middle-income, and 44,556 (47%) as upper-income. The MSA median family income as of the 2000 Census was \$53,435, and the 2004-updated figure was \$63,800. We used the 2004-updated figure in our analysis to determine the borrower income levels.

Based on the 2000 Census data for the MSA AA, 9% of the population was over age 65, 17% of households were in retirement, and 5% of households lived below the poverty level. In 2000, the median housing value was \$119,724 and the median age of the housing stock was 18 years. Local housing was 83% 1-4 family units, with 77% owner-occupied and 6% vacant.

The local economy is primarily supported by service-related businesses, retail trade businesses and construction. In addition to the local school districts, major employers in the area are Citigroup, General Motors Corporation, Bodine Aluminum, Inc., Holland-Brinkley Company, and Walmart.

Economic conditions in the MSA AA are good. The November 2005 seasonally unadjusted unemployment rates for St. Charles, Lincoln, and Warren Counties were 3.9%, 4.6%, and 5.1%, respectively. This compares to the national and Missouri unemployment rates for the same time period of 4.8% and 5.3%, respectively.

Competitive pressures are strong. There are 104 offices of 47 commercial banks and savings institutions operating in St. Charles, Lincoln and Warren Counties. These numbers do not include credit unions, mortgage companies, investment services, farm services, and insurance company offices that offer loan products.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

PNB does a reasonable job of meeting the credit needs of its AAs, including those of low- and moderate-income people and small businesses, given the demographics, economic factors, and competitive pressures faced by the bank. Please refer to the “Description of Institution” and “Description of Assessment Areas” sections of this evaluation for details on these performance context factors.

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

The bank's lending reflects a good dispersion to businesses and farms of different revenue sizes. Lending levels, as shown by the volume of all loans generated, reflect good responsiveness to the credit needs of the AAs.

We evaluated PNB's business lending and agriculture-related lending using data for the period beginning January 1, 2004 through January 19, 2006. Business and agricultural loans represent the highest percentages of loans originated during this evaluation period by dollar amount in the non-MSA AA. Business loans represent the highest percentage of loans by dollar amount in the MSA AA. We did not sample agricultural loans in the MSA AA, as they are not a primary product type in the AA.

Using only loans made within the non-MSA AA, we sampled 20 business loans and 20 farm loans. Using only loans made within the MSA AA, we sampled 8 business loans, or all business loans made by the bank since the loan production office was opened in St. Charles County in 2004.

Non-MSA AA

Business Loans

The bank's lending distribution to businesses of different revenue sizes in the non-MSA AA is satisfactory. Based on the sample of loans selected, PNB's lending to small businesses (65%) with revenues of \$1 million or less is higher than the percentage of small businesses (56%) that reported their revenues in the AA. Three percent of businesses in the non-MSA AA reported revenues in excess of \$1 million, and forty-one percent of businesses in the non-MSA AA did not report their revenues. The data used to evaluate PNB's business lending activity is presented in the following table.

Borrower Distribution of Loans to Businesses in non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	56%	3%	41%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	25%	72%	3%	100%

Source: 2005 Business Geodemographic Data.

Farm Loans

The bank's lending distribution to farms of different revenue sizes in the non-MSA AA is good. Based on the sample of loans selected, PNB's lending to small farms (100%) with revenues of \$1 million or less is higher than the percentage of small farms (98%) that reported their revenues in the AA. One percent of farms in the non-MSA AA reported revenues in excess of \$1 million,

and one percent of farms in the non-MSA AA did not report their revenues. The data used to evaluate PNB's farm lending activity is presented in the following table.

Borrower Distribution of Loans to Farms in non-MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: 2005 Business Geodemographic Data.

MSA AA

Business Loans

Based on the sample of loans selected, PNB's lending to small businesses (75%) with revenues of \$1 million or less is higher than the percentage of small businesses (64%) that reported their revenues in the AA. Six percent of businesses in the MSA AA reported revenues in excess of \$1 million, and thirty percent of businesses in the MSA AA did not report their revenues.

Borrower Distribution of Loans to Businesses in MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	6%	30%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	75%	25%	0%	100%

Source: 2005 Business Geodemographic Data.

Geographic Distribution of Loans

The geographic distribution of business loans reflects reasonable dispersion throughout the MSA AA. No conspicuous gaps were identified. A geographic analysis of loans in the non-MSA was not performed as there were no low- or moderate-income geographies.

Geographic Distribution of Loans to Businesses in MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0%	0%	12%	13%	55%	62%	33%	25%

Source: Loan Sample and 2005 Business Geodemographic Data.

Loan-to-Deposit Ratio

PNB's loan-to-deposit (LTD) ratio is reasonable. As of September 30, 2005, the bank's LTD

ratio was 91%. PNB's quarterly average LTD ratio since the August 3, 1998 CRA examination was 74%. This ratio compares satisfactorily to the eleven similarly situated banks in the area whose quarterly average LTD ratios ranged from 86% to 53%, with an average ratio of 76%. These banks are considered similarly situated because of their size, location, and lending opportunities.

Lending in Assessment Areas

Lending in the bank's AAs is good given the performance context factors at the bank. Based on a sample of 29 business loans and 20 farm loans, a significant majority of the bank's loans originated in PNB's AAs for the time period January 1, 2004 through January 19, 2006. The data reflects that 90% of the sample of loans by number and 82% by dollar volume were made within the bank's AAs.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	19	95%	1	5%	20	\$1,379	94%	\$85	6%	\$1,464
Business	25	86%	4	14%	29	\$4,205	78%	\$1,156	22%	\$5,361
Totals	44	90%	5	10%	49	\$5,584	82%	\$1,241	18%	\$6,825

Responses to Complaints

PNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.