



## **PUBLIC DISCLOSURE**

April 30, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Liberty National Bank in Paris  
Charter Number 13541

305 Lamar Avenue  
Paris, TX 75460

Office of the Comptroller of the Currency

1800 NW Loop 281  
Suite 306  
Longview, TX 75604-2516

**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 Liberty National Bank in Paris has a satisfactory record of meeting the credit needs of the community. This rating is based on the following:

- The bank's loan to deposit ratio is reasonable based on the bank's deposit structure and performance context in which it operates.
- A substantial majority of loans are extended within the bank's assessment area.
- The geographic distribution of loans reflects a reasonable dispersion within the assessment area.
- The distribution of loans demonstrates a reasonable penetration among borrowers of different income levels and businesses of different sizes.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of The Liberty National Bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. Conclusions regarding the bank's lending performance are based on residential real estate, commercial, and consumer loans originated from January 1, 2012 to December 31, 2013. Lending activity in 2014 is not significantly different from 2012 or 2013, and was not included in the scope of the evaluation with management's consent.

The review also included discussions with local business groups in the assessment area. Contacts noted local financial institutions are very active in the community, and offer various products and services that assist in meeting area credit needs.

**DESCRIPTION OF INSTITUTION**

The Liberty National Bank in Paris (LNB) is a \$246 million bank, wholly owned by Paris Bancshares, Inc. The bank serves Lamar County, TX and operates three full service branches in the city of Paris. LNB also offers a full range of loan and deposit products. The following chart reflects the distribution of the bank's loan portfolio during the evaluation period.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Real Estate	27,041	36.96
Commercial	22,646	30.95
Consumer	16,787	22.95
Agriculture	4,037	5.52
Other Loans	2,650	3.62
<b>Total</b>	<b>73,161</b>	<b>100</b>

There are no legal or financial impediments to LNB’s ability to meet the credit needs of the community. The bank was rated Satisfactory at its last CRA examination dated January 12, 2009.

**DESCRIPTION OF ASSESSMENT AREA**

LNB has designated Lamar County as its assessment area (AA). The AA meets the requirements of the Community Reinvestment Act (CRA), and no low or moderate-income geographies are arbitrarily excluded.

The following table provides a description of the AA based on 2010 census data and 2013 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF LAMAR COUNTY</b>	
<i>Population</i>	
Number of Families	13,724
Number of Households	19,053
<i>Geographies</i>	
Number of Census Tracts	12
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	33.33%
% Middle-Income Census Tracts	50.00%
% Upper-Income Census Tracts	16.67%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$48,160
2013 HUD-Adjusted MFI	\$50,500
<i>Economic Indicators</i>	
Unemployment Rate	4.02%
2010 Median Housing Value	\$76,154
% of Households Below Poverty Level	16.81%

*Source: 2010 U.S. Census data*

Lamar County has a total population of 49,793. The county has no low-income tracts, four moderate-income tracts, six middle-income tracts, and two upper-income tracts. Competition in the area remains strong with numerous other financial institutions, including local banks, branches of larger banks, employee credit unions, and payday lenders. The local economy also remains stable and diverse, and major employers in the county include Campbell Soup Supply Company, Kimberly-Clark Corporation, and Paris Regional Medical Center. Contact with a local government office revealed banks are heavily active in the community and meeting their credit needs, especially in regards to housing rehab loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Management continues to demonstrate satisfactory performance in meeting the credit needs of the community. While the bank’s loan-to-deposit ratio is less than other banks in the assessment area, it remains reasonable when considering the bank’s deposit structure and performance context in which it operates. Additionally, lending inside the assessment area and the distribution of loans to borrowers and businesses of different income levels is reasonable. The following sections provide detail of our assessment of each performance criteria.

**Loan-to-Deposit Ratio**

The loan-to-deposit (LTD) ratio for LNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average LTD ratio is 39.56 percent since the prior CRA examination, and considers assets beginning September 30, 2008. The average LTD ratio of all banks within the assessment area, regardless of size, for the same time was 69.70 percent.

Institution	Assets (000s) as of 12/31/13	Average LTD Ratio
Liberty National Bank in Paris	\$246,241	39.56%
Lamar National Bank	\$122,893	55.44%
Peoples Bank	\$119,538	90.50%
First Federal Community Bank	\$331,269	93.29%

The ratio is lower than those of other area financial institutions; however, the lower ratio is reasonable and attributed to the bank's deposit structure, which includes a high level of deposits centered in public funds. These funds total \$20 million and account for approximately 10 percent of total deposits. In addition, the bank offers loans as low as \$500 to meet the needs of the community. Since January 2013, the bank has made 78 low dollar loans totaling \$78 thousand. Furthermore, the bank's loan volume continues to increase on average of 3 percent per year since the previous examination.

**Lending in Assessment Area**

A substantial majority of the bank's lending activity is within its assessment area. We reviewed a sample of 20 real estate loans, 20 commercial loans, and 20 consumer loans that originated in 2012 and 2013. Lending activity in 2014 is not significantly different from 2012 or 2013, and was not included as part of the evaluation period. The table below reflects a breakdown of the bank’s lending activity.

Lending in Lamar County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Real Estate	20	100.00	0	0.00	20	2,468	100.00	0	0.00	2,468
Commercial	20	100.00	0	0.00	20	5,408	100.00	0	0.00	5,408
Consumer	19	95.00	1	5.00	20	119	97.55	3	2.45	122
<b>Totals</b>	<b>59</b>	<b>98.33</b>	<b>1</b>	<b>1.67</b>	<b>60</b>	<b>7,995</b>	<b>99.96</b>	<b>3</b>	<b>0.04</b>	<b>7,998</b>

Source: Loan sample

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

LNBs overall distribution of loans by income level of the borrower is reasonable given the overall demographics of the bank’s assessment area. The median cost of housing in Lamar County is \$76 thousand, while a low-income person earns less than \$26 thousand based on HUD updated 2013 median family income. Additionally, over 16 percent of the households in the assessment area live below poverty level. Affordable housing available for purchase is limited. The largest percentage of low and moderate income households are in areas with a high percentage of rental income and a limited number of owner occupied housing. Furthermore, competition for home mortgage products is strong with numerous banks, mortgage companies and financial institutions in the area. Also, Habitat for Humanity and Paris Living are active in the community, and provide financing for low and moderate-income housing. LNB supports these organizations with bank officers serving on boards and committees, as well as through monetary donations. These mitigating factors were considered in our home mortgage lending analysis to low and moderate-income borrowers.

The bank's distribution of loans for residential housing is reasonable. The percentage of loans to low and moderate-income families meets the percentage of low and moderate-income families in the assessment area.

Borrower Distribution of Residential Real Estate Loans in Lamar County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
	19.69	17.39	18.84	13.04	20.05	13.04	41.42	56.53

Source: Data reported under HMDA; U.S. Census data

The bank's distribution of loans to small businesses is excellent. The percentage of loans to businesses with revenues of \$1million or less exceeds the percentage of businesses with reported revenues of \$1million or less.

Borrower Distribution of Loans to Businesses in Lamar County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.79	3.20	24.01	100%
% of Bank Loans in AA by #	75.00	20.00	5.00	100%
% of Bank Loans in AA by \$	13.44	86.52	0.04	100%

Source: Loan sample; Dun and Bradstreet data

The distribution of consumer loans by borrower income level is reasonable. The percentage of loans to low and moderate-income borrowers exceeds the percentage of low and moderate-income families in the assessment area.

Borrower Distribution of Consumer Loans in Lamar County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	24.08	26.09	16.88	17.39	17.60	17.39	41.44	39.13

Source: Loan sample; U.S. Census data

**Geographic Distribution of Loans**

The geographic distribution of real estate loans is reasonable. The distribution of loans in moderate-income tracts and underserved and distressed middle-income tracts meets the percentage of owner occupied housing units in the moderate and underserved and distressed middle income tracts. Rental properties continue to make up the largest percentage of housing in the moderate-income tract areas. Owner occupied housing remains low with limited availability for purchase.

Geographic Distribution of Residential Real Estate Loans in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	0.0	0.0	18.67	13.04	56.62	52.18	24.71	34.78

Source: Loans sample; U.S. Census data

The geographic distribution of loans to businesses is reasonable. The percentage of business loans made in moderate-income tracts is significantly lower than the percentage of businesses located in these tracts; however, loans to middle income tracts identified as underserved and distressed areas exceed the percentage of businesses located in these underserved and distressed areas.

Geographic Distribution of Loans to Businesses in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans
Businesses	0.00	0.00	30.46	15.00	46.53	75.00	23.01	10.00

Source: Loan sample; Dun and Bradstreet data

The geographic distribution of consumer loans is excellent. The percentage of loans in the moderate-income tract tracts exceeds the percentage of households located in the moderate-income census tract.

Geographic Distribution of Consumer Loans in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	11.07	21.74	63.66	65.22	25.27	13.04

Source: Loan sample; U.S. Census data

**Responses to Complaints**

LNB has not received any complaints or public comments regarding CRA performance during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

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