



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 09, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**Elm & Main
Paris, AR 72855**

Office of the Comptroller of the Currency

**LITTLE ROCK (MEMPHIS)
10201 West Markham, Suite 105 Ozark National Life Bld.
Little Rock, AR 72205-2180**

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 following performance factors were used in determining the bank's overall CRA rating:

- The average loan-to-deposit ratio at 74% is satisfactory given the bank's size, financial condition, and assessment area (AA) credit needs.
- The majority of the bank's loans are located within its AA.
- The distribution of loans reflects satisfactory penetration among individuals of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

An onsite examination of First National Bank at Paris (FNBP) was performed to assess its performance under the Community Reinvestment Act (CRA). To determine its performance, the bank was assessed under the Small Bank CRA criteria. Loan information used for this evaluation included home loans, auto loans, and small business/small farm loans. The bank was rated **Satisfactory** at the previous examination. This performance evaluation starts from the date of the bank's previous CRA examination covering the period from July 8, 2003, to September 08, 2008. A contact was made with a local community official with knowledge of the overall needs within the bank's AA, and used in the evaluation process. This contact revealed that the bank and all other financial institutions doing business within the assessment area are meeting the credit needs of the community.

DESCRIPTION OF INSTITUTION

FNBP is owned by Union Bankshares, Inc. (holding company) located in Mena, Arkansas. The holding company has total assets of \$262 million and owns two banks both located in the state. FNBP is located in the city of Paris (Logan County), Arkansas with a population of 3,707 according to the 2000 census. The bank also has offices 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 offices have drive-up facilities and all have automated teller machines (ATMs) except for the Caulksville branch. Also FNBP offers a full range of online banking products and services through its website at www.firstparis.net. As of June 30, 2008, the bank reported total assets of \$107 million, with \$87 million in deposits and \$70 million in loans. There are no legal or financial constraints that would impede the bank from meeting its requirements under the CRA.

The bank's primary business focus is residential real estate, agriculture, and small business loans. FNBP offers home purchase/refinance, home improvement, consumer, agriculture, and business loan products. The loan portfolio composition as of June 30, 2008 is as follows:

FNB Loan Portfolio Composition as of June 30, 2008		
Loan Types	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	515	1
Secured by Farmland	17,907	26
One-to-Four Family Residential	30,152	43
Commercial Real Estate	7,284	10
Total Real Estate Loans	55,858	80
Agricultural	2,419	3
Commercial and Industrial	3,910	6
Consumer	7,171	10
Other	752	1
Total Loans	70,110	100%

Source: Report of Condition

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

For purposes of the CRA the bank has selected all of Logan and Scott Counties for its assessment area (AA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are nine U.S. census tracts located within the AA and all considered to be middle-income according to 2000 U.S. census data. Census tracts include 9501, 9502, 9503, 9504, 9505 and 9506 in Logan County; and 9501, 9502 and 9503 in Scott County. The median family income for non-metropolitan statistical areas in Arkansas was \$34,263 in 2000. This income level was used to determine the income characteristics within each census tract. The median family income is updated annually by HUD and now totals \$42,000.

The bank and its AA are located in the west central part of the state. According to 2000 census data, the population of Logan and Scott counties was 22,486 and 10,996, respectively. The economy of these two counties is considered to be slow growth and primarily driven by small business and small farm operations.

The largest employer in Logan County is Cloyes Gear Company that manufactures various gears and transmissions for the automobile industry and employees approximately 600. Tyson Foods has a large poultry processing plant located in Scott County and employees approximately 1,100.

The following table provides demographic and economic characteristics of the bank's assessment area.

Demographic and Economic Characteristics of the Assessment Area						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	* % of #
Geographies (Census Tracts)	9	0	0	100	0	100
Population by Geography	33,482	0	0	100	0	100
Owner-Occupied Housing by Geography	14,866	0	0	100	0	100
Businesses by Geography	2,656	0	0	100	0	100
Farms by Geography	130	0	0	100	0	100
Family distribution by Income Level	9,524	20	20	24	36	100
Distribution of Low and Moderate Income Families throughout AA Geographies	3,801	0	0	100	0	100
Median Family Income, last Census 2000		\$34,263	Median Housing Value			\$52M
HUD Adjusted Median Family Income for 2008		\$42,000				
Households Below Poverty Level		17%	Unemployment Rate			5.27%
% Businesses with Revenues < \$1 million		90%	% Farms with Revenues < \$1 million			98%
% Businesses with Revenues > \$1 million		10%	% Farms with Revenues > \$1 million			2%

Source: 2000 U.S. Census data and HUD updated income data..

* N/A category consists of geographies that have not been assigned an income classification.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio of 74% is reasonable given its size, financial condition, and AA credit needs. The loan-to-deposit ratio was calculated using quarterly averages since the prior CRA performance evaluation as of July 8, 2003. The bank's average was then compared to the banks listed below all having offices located within the bank's AA. Since Arvest, Bank of The Ozarks, and Regions are much larger financial institutions conducting business throughout the state and region, Logan County Bank is considered to be a similarly situated bank and was more closely considered when rating FNB's performance under this criteria.

Loan-to-Deposit Ratios		
Banks within the AA	Assets (000's) As of 6-30-08	Average LTD
Logan County Bank	64	42%
Arvest	9,895	83%
Bank of The Ozarks	3,052	83%
Regions	139,358	98%
<i>FNB at Paris</i>	107	74%

Source: Institution Reports of Condition.

Lending in Assessment Area

A majority of FNBPs loans are located within its AA. The following table reflects loans made by the bank during 2007 by loan category. As indicated, 89% of the number of loans, and 91% of the dollar volume were made to borrowers located within the bank's AA.

Lending in Assessment Area										
Loan Types	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	206	90	24	10	230	13,761	90	1,505	10	15,266
Auto Loans	456	89	55	11	511	4,202	92	357	8	4,559
Small Business	234	89	28	11	262	5,160	91	494	9	5,654
Small Farm	184	87	28	13	212	2,932	92	270	8	3,202
Totals	1,080	89	135	11	1,215	26,055	91	2,626	9	28,681

Source: Bank data from loans originated in 2007.

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

The bank's distribution of loans to borrowers of different income levels is satisfactory. The following tables reflect the distribution of home, auto, and business loans made by the bank in 2007 by income levels. As previously indicated 17% of households located in the bank's AA are below the national poverty level. The bank's ability to qualify the low and moderate income for real estate loans is somewhat limited due to loan amount, down payment, and term requirements. The distribution of auto loans was good in all income levels with strong penetration in the low and moderate income sectors. The distribution of business loans is satisfactory and in line with businesses that report their revenues when census data is gathered.

Borrower Distribution – Home Loans								
Borrower Income Level	Low Income		Moderate Income		Middle Income		Upper Income	
% of AA Families	20		20		24		36	
FNBP Home Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	20	6	10	6	40	45	30	43

Source: Bank data from loans originated in 2007 and 2000 U.S. Census data.

Borrower Distribution – Auto Loans								
Borrower Income Level	Low Income		Moderate Income		Middle Income		Upper Income	
% of AA Households	24		17		20		39	
FNBP Auto Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	20	17	25	32	25	26	30	25

Source: Bank data from loans originated in 2007 and 2000 U.S. Census data.

Borrower Distribution of Loans to Businesses			
Business Revenues	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	44	2	54
% of Bank Loans in AA by #	100		
% of Bank Loans in AA by \$	100		

Responses to Complaints

No formal CRA complaints have been received since the prior examination. The bank has a formal process of receiving, documenting, and responding to customer complaints.

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.