



PUBLIC DISCLOSURE

June 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Paducah
Charter Number 10230**

**717 Tenth Street
Paducah, Texas 79248**

**Office of the Comptroller of the Currency
Lubbock Field Office
5225 South Loop 289, Suite 108
Lubbock, Texas 79424**

NOTE: 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 **The First National Bank of Paducah** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 28, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

- C The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 45.65% from June 30, 1997 to June 28, 1999.
- C The majority of loans sampled (loans made since the last performance evaluation) are within the bank's assessment area, with 68% of the number of loans and 60% of the dollar volume. Also, the majority of total loans are within the bank's assessment area with 67% of the number of loans and 64% of the dollar volume.
- C The lending pattern reflects a reasonable penetration of loans to small businesses and small farmers.
- C An analysis of the geographic distribution of loans would not be meaningful. The bank's assessment area contains only one block numbering area, which is identified as middle-income.
- C There have been no consumer complaints regarding the bank's CRA performance.

The following table indicates the performance level of **The First National Bank of Paducah** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Paducah</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		U	
Lending in Assessment Area		U	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		U	
Geographic Distribution of Loans	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	The bank has not received any complaints regarding its performance under the CRA.		

DESCRIPTION OF INSTITUTION

The First National Bank of Paducah (FNB) is located in Paducah, Texas. FNB has one full-service banking location in the City of Paducah with total assets of \$38 million at March 31, 1999. FNB is wholly-owned by First Paducah Bancshares of Delaware, Inc. a one-bank holding company in Paducah, Texas. The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. The last CRA rating was assigned on May 13, 1997, and the bank's performance was rated Satisfactory then. The evaluation period for this examination is from May 14, 1997 to June 28, 1999.

FNB offers a variety of credit products, including agricultural, commercial, first and second lien residential mortgages, and consumer loans. The bank faces competition from other financial institutions in counties adjacent to the bank's assessment area. Currently, no other financial institutions are in Cottle County. In May 1999, a branch of a bank in Floyd County was closed. A branch of First Bank and Trust, Childress is currently under construction in Paducah.

At March 31, 1999, FNB reported total loans of \$13 million representing 34% of total assets. Figure 1 illustrates the bank's loan distribution by loan type.

As reflected in Figure 1, the bank is primarily a business and agricultural lender, but is active in consumer lending, including home purchase loans.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area is identified as Cottle County. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Cottle County

Cottle County is 30 miles south of the city of Childress on highway 83. It includes the city of Paducah. The estimated current population of the county is 2,247, including the city of Paducah with an estimated 1,788 people.

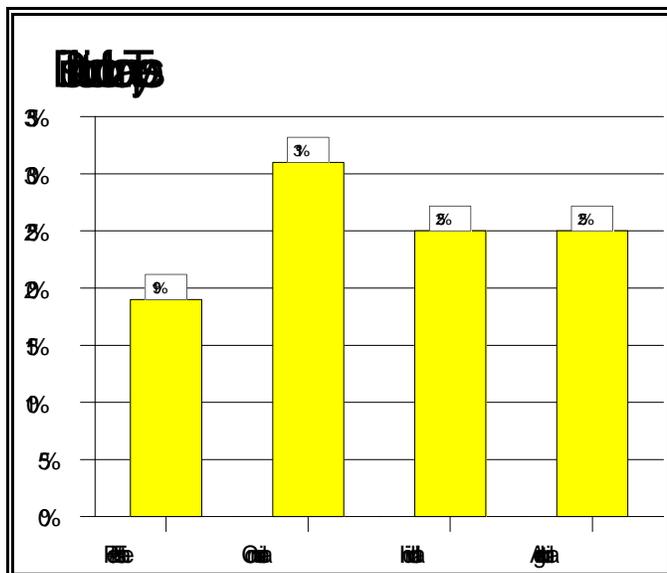
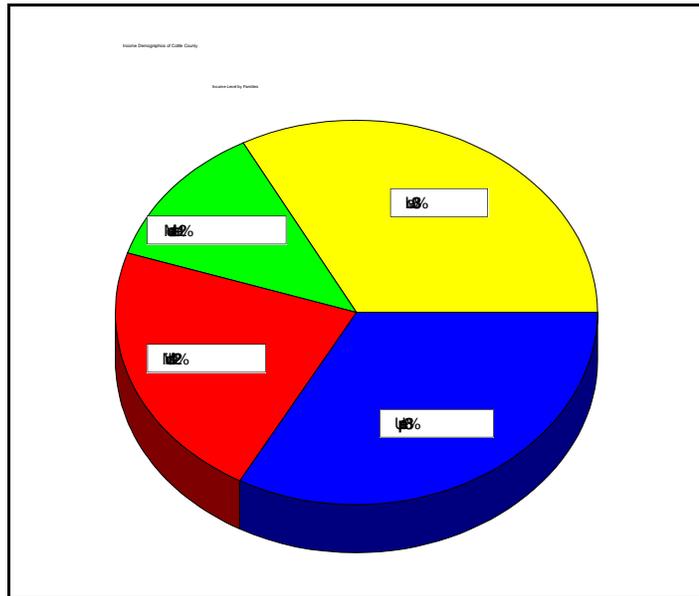


Figure 1

Source: Bank Reported Condition of Income, March 31, 1999

Cottle County contains only one block numbering area (BNA) which is identified as middle-income. There are no low-income BNAs in the assessment area. The 1990 Census median family income is \$21,799 and the 1998 updated HUD median family income is \$33,900. Figure 2 illustrates the distribution of the median family income within Cottle County. As reflected in the chart, the county has a high level of low- and moderate- income families.



Major employers in Cottle County include the Paducah Independent School District, Cottle County, and the Texas Department of Criminal Justice Correctional Facility in Childress, Texas.

Figure 2
Source: 1990 U.S. Census

The Cottle County economy is heavily reliant on agricultural production. Over the last several years the local economy has been adversely affected by low agricultural commodity prices and adverse weather conditions.

No meetings with community groups were held during this review. We made several inquiries to the Paducah mayor's office, but these inquiries were not answered. Also, the bank is a member of the other community group in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is considered reasonable. During this evaluation period, the bank's LTD ratio has averaged 46%. This compares favorably with other similarly situated banks in contiguous counties.

Lending in the Assessment Area

A majority of the loans sampled during this evaluation are in the bank's assessment area. Our sample included 14 residential mortgage loans, 20 business loans, 20 agricultural loans, and 46 unsecured consumer loans originated since the previous evaluation. The following table summarizes the bank's record of lending in the assessment area based on our loan sample.

DISTRIBUTION OF LOANS				
LOAN TYPE/LOCATION	Dollar (\$000's)		Number	
	Amount	Percentage	Amount	Percentage
Residential Real Estate				
In Assessment Area	\$394,722	100%	14	100%
Outside Assessment Area	\$0	0%	0	0%
Business				
In Assessment Area	\$589,317	58%	26	65%
Outside Assessment Area	\$1,272,067	42%	14	35%
Agricultural				
In Assessment Area	\$2,063,000	75%	14	70%
Outside Assessment Area	\$769,982	25%	6	30%
Unsecured Consumer Purpose				
In Assessment Area	\$33,850	43%	41	62%
Outside Assessment Area	\$44,468	57%	25	38%
Total In Assessment Area	\$3,080,889	60%	95	68%
Total Outside Assessment Area	\$2,086,517	40%	45	32%

Table 1

Source: Sample of loans reviewed during the examination

As reflected in Table I the majority of the bank's loans by dollar amount and number are to borrowers within the assessment area. Within each loan type, the majority of the number of loans are to borrowers within the assessment area. The level of loans originated within the assessment area is reasonable and meets the criteria for satisfactory performance.

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

FNB's record of lending to borrower's with different income levels is considered satisfactory. This is evident in the level of loans to small business and small farm borrowers. Of the 40 loans originated to businesses and farms, revenue information was available on 25. Based on the revenue information available on the 25 loans, all had revenues of less than \$1 million. Our sample shows a good responsiveness by FNB to the credit needs of businesses and farms of varying sizes as shown in Table II.

Lending to Businesses of Different Sizes (Based on Sample Reviewed)										
Annual Revenues of the Business	Less than \$100,000		\$100,000 - 250,000		\$250,000 - 500,000		\$500,000- 1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
Number of Loans	2	8%	17	68%	5	20%	1	4%	25	100

Table 2

Source: Sample of loans reviewed during the examination

While FNB lends to individual borrowers for general consumer purposes and in varying dollar amounts, income information is not routinely maintained. Therefore, it is not possible to assess the bank's lending to individuals with different income levels.

A review of home mortgage-related products shows that a majority of loans made were to moderate-, middle-, and upper-income individuals. However, some loans were made to low- income borrowers. Table III summarizes FNB's record of residential lending to individuals of different incomes.

Distribution of Loans to Individuals by Borrower Income \$(000)								
Income Level	Low		Moderate		Middle		Upper	
Residential Loans	#	%	#	%	#	%	#	%
	1	7%	4	29%	4	29%	5	36%
Distribution of Families in Assessment Area	#	%	#	%	#	%	#	%
	205	33%	76	12%	143	22%	205	33%

Table 3

Source: Sample of loans reviewed during the examination

This review shows that FNB meets the criteria for satisfactory performance in lending to borrowers of different incomes and businesses of different sizes.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. There is only one BNA in the assessment area, which is identified as middle income.

Response to Complaints

FNB has not received any complaints during this evaluation period regarding their CRA performance.

Record of Compliance with Antidiscrimination Laws

We performed a concurrent Fair Lending review at this examination. Based on a comparative file review of approved unsecured consumer loans to male and female applicants, we did not identify any evidence of disparate treatment or discriminatory practices.