



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 12, 2009

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

LONGVIEW FIELD OFFICE
1800 West 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 community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is reasonable based on the bank's deposit structure and the 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 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 April 11, 2003 to January 12, 2009.

Our review also included a review of contacts with local business groups in the assessment area. Contacts stated the primary need in the area is for residential loans and consumer loans. One contact also noted programs that assist low and moderate income individuals in the purchase of a home but also noted there was limited affordable housing available. Contacts also noted the local financial institutions offer products that help meet area credit needs.

DESCRIPTION OF INSTITUTION

Liberty National Bank in Paris (LNB) is a \$244 million bank and is wholly owned by Paris Bancshares, Inc. The bank serves Lamar County, Texas and operates three full services branches, each located in the city of Paris. LNB offers a full range of loan and deposit products. The following chart reflects the distribution of the bank's loan portfolio as of September 30, 2008.

Loan Category	\$ (000)	%
Residential Real Estate	43,531	56.9
Commercial Real Estate	7,345	9.6
Consumer	11,111	14.5
Agriculture	2,410	3.1
Commercial	12,165	15.9
Total	76,562	100.00

There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated April 11, 2003.

DESCRIPTION OF ASSESSMENT AREA

The Board has designated Lamar County as the bank's assessment area (AA). This assessment area 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 assessment area based on census data and 2007 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	13,584
Number of Households	19,048
<i>Geographies</i>	
Number of Census Tracts	10
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	30.00%
% Middle-Income Census Tracts	40.00%
% Upper-Income Census Tracts	30.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2007 HUD-Adjusted MFI	\$41,800
<i>Economic Indicators</i>	
Unemployment Rate	6.00%
2007 Median Housing Value	\$54,796
% of Households Below Poverty Level	16.42%

Source: U.S. Census data.

Lamar County has a total population of 48,499. The county has no low income tracts, three moderate income tracts, four middle income tracts, and three upper income tracts. Competition in Lamar County is strong with numerous other financial institutions, including local banks, branches of larger banks, a savings bank and several employee credit unions. The local economy remains stable and diverse. Major employers in the county include Kimberly-Clark Corporation and Campbell Soup Supply Company.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

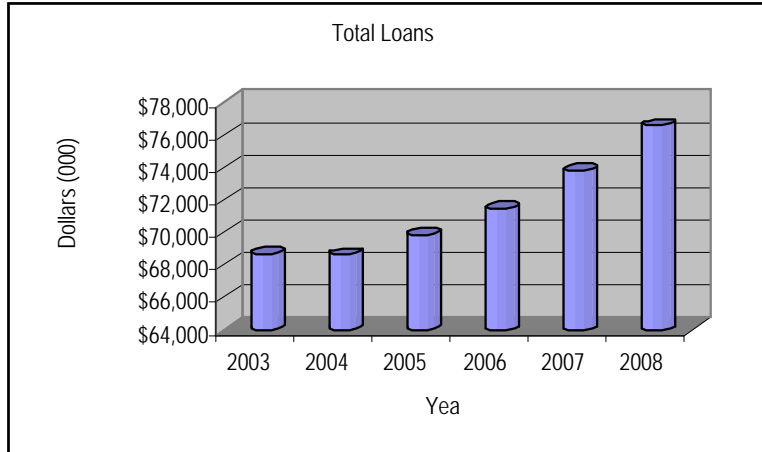
Management has demonstrated satisfactory performance in meeting the credit needs of the community. While the bank’s loan to deposit ratio is less than other banks in the assessment area, it remains reasonable when considering the bank’s deposit structure and the performance context in which it operates.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

Loan-to-Deposit Ratio

The loan-to-deposit ratio LNB is satisfactory given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 37.21% since the prior CRA examination in April 2003. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 63.83%.

Institution	Assets (000s) (as of 9/30/08)	Average LTD Ratio
Liberty National Bank in Paris	\$243,989	37.21%
Lamar National Bank	\$105,469	60.80%
Peoples Bank	\$120,435	93.49%

While LNB’s ratio is below that of other institutions headquartered in Lamar County, the bank’s deposit structure includes a high level of deposits centered in the county’s largest public funds account and deposits from the bank’s holding company. Additionally, approximately 30% of the bank’s deposit base is centered in a relatively small number of depositors, each with greater than \$350M held at LNB. Few of these customers have a related borrowing relationship but hold deposits at LNB due to its financial strength and stability. Furthermore, the bank’s loan volume continues to increase. Since the previous CRA examination, the bank has experienced steady loan growth of approximately 2 to 3% per year.



Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 90 loans, including 25 residential loans, 25 commercial loans and 40 consumer loans which originated during 2006, 2007 and 2008. The breakdown by loan category is illustrated in the following table.

Lending in Lamar County										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	22	88.00	3	12.00	25	1,946	95.78	86	4.22	2,032
Commercial	23	92.00	2	8.00	25	3,372	94.05	213	5.95	3,585
Consumer	40	100.00	0	0.00	40	203	100.00	0	0.00	203
Totals	85	94.44	5	5.56	90	5,521	94.86	299	5.14	5,820

Source: Loan sample; U.S. Census data. .

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

LNB's overall distribution of loans by income level of the borrower is satisfactory given the overall demographics of the bank's assessment areas. The median cost of housing in Lamar County is \$55M while a low-income person earns less than \$21M based on the HUD updated 2007 median family income. Additionally, over 16% of the households in the assessment area live below the poverty level. Affordable housing available for purchase is also limited. The largest percentage of low and moderate income households live in areas with a high percentage of rental income and a limited amount of owner occupied housing. Furthermore, competition for home mortgage products is strong with numerous bank, mortgage companies and financial institutions vying for these products. In addition, Habitat for Humanity and Paris Living, a local CDC, are active in the community and provide financing for low and moderate income housing. Financing is provided internally through these organizations and are not funded through traditional loan channels such as the area financial institutions. LNB supports these

organizations with bank officers serving on Boards and committees, as well as through donations of time and money. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers.

The bank’s distribution of loans for residential housing is adequate. The percentage of loans to low and moderate income families is less than the percentage of low and moderate income families in the assessment area and is reflective of the factors discussed above.

Borrower Distribution of Residential Real Estate Loans in Lamar County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
	20.38	9.09	16.81	4.55	19.87	27.27	42.94	59.09

Source: Loan sample; U.S. Census data.

The bank’s distribution of loans to small businesses is good. The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses with reported revenues of \$1 million 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	55.64	3.03	41.33	100%
% of Bank Loans in AA by #	86.96	13.04	---	100%
% of Bank Loans in AA by \$	23.45	76.55	---	100%

Source: Loan sample; Dun and Bradstreet data.

The distribution of consumer loans by borrower income level is excellent. 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 Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
	24.93	35.00	15.14	27.5	16.48	25.00	43.45	12.50

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of home purchase loans is adequate. The distribution of loans in moderate-income tracts is less than the percentage of owner-occupied housing units in the moderate-income tracts. However, rental properties make up the largest percentage of housing in these tracts with the percentage of owner occupied housing low and a limited supply available for purchase.

Geographic Distribution of Residential Real Estate Loans in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
	0.00	0.00	15.45	9.09	34.99	31.82	49.56	59.09

Source: Loan sample; U.S. Census data.

The geographic distribution of loans to businesses is good. The percentage of business loans made in the moderate-income tracts exceeds the percentage of businesses located in these tracts.

Geographic Distribution of Loans to Businesses in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	0.00	0.00	29.77	34.78	26.02	4.35	44.21	60.87

Source: Loan sample; U.S. Census data.

The geographic distribution of consumer loans is good. The percentage of loans in the moderate-income tracts approximates the percentage of households in the moderate-income tracts.

Geographic Distribution of Consumer Loans in Lamar County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
	0.00	0.00	23.25	22.50	33.20	25.00	43.55	52.50

Source: Loan sample; U.S. Census data.

Responses to Complaints

Liberty National Bank has not received any CRA related complaints during the assessment period.

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.