



SMALL BANK

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

PUBLIC DISCLOSURE

February 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 10230**

**717 Tenth Street
Paducah, TX 79248**

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

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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	<i>1</i>
<i>DESCRIPTION OF INSTITUTION</i>	<i>1</i>
<i>DESCRIPTION OF COTTLE COUNTY</i>	<i>2</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	<i>3</i>

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Paducah (FNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 36 percent during the evaluation period. Such performance is reasonable given the available loan demand and the moderate level of competition the assessment area.
- A substantial majority of FNB's loans are within the bank's assessment area. Based on a sample of loans, 84 percent of the number of loans and 89 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNB has an excellent penetration of loans to businesses of different sizes, and individuals of different income (including low- and moderate-income) levels.
- A rating of the geographic distribution of the bank's loans would not be meaningful.
- There have been no complaints with respect to FNB's CRA performance

DESCRIPTION OF INSTITUTION

First National Bank of Paducah is a community bank in Paducah, Texas, which is approximately 125 miles northeast of Lubbock. FNB is an intrastate bank with one main office, with drive-up facilities. FNB reported average assets of \$42.9 million as of September 30, 2003.

As of September 30, 2003, FNB had total assets of \$42.8 million, with 31 percent in the loan portfolio. The bank's primary loan products include agricultural, consumer and commercial loans. The following chart details a breakdown of FNB's loan portfolio as of September 30, 2003.

Loan Portfolio Composition as of February 17, 2004		
Loan Category	\$ (000)	%
Consumer	4,984	37.54
Agricultural	3,052	22.99
Commercial & Industrial	3,029	22.81
Residential Real Estate	1,047	7.89
Agricultural Real Estate	817	6.15
RE Nonfarm/Non Resident	281	2.12
Other	68	0.05
Total	13,278	100.00

Source: September 30, 2003 Report of Condition

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on June 28, 1999.

FNB’s business strategy is to provide outstanding banking services to customers in the high rolling plains of West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area. FNB’s Tier 1 Capital level was \$5.4 million, representing 12.59 percent of adjusted average assets as of September 30, 2003. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF COTTLE COUNTY

FNB has designated Cottle County as its assessment area (AA). Cottle County is located in the rolling prairie land of Northwest Texas. Paducah is the largest city in Cottle County and is also the county seat. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Cottle County AA	
Population	
Number of Families	6,649
Number of Households	9,714
Geographies	
Number of Census Tracts/BNA	15
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	33.33%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	0
Median Family Income (MFI)	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	3.30%
2002 Median Housing Value	26,100
% of Households Below Poverty Level	24

Source: 1990 Census data and HUD updated income data.

The bank's AA is comprised of one contiguous block numbering area (BNA). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. Based on 1990 Census data, the AA as a total population of 23,639. There are 12,870 housing units in the AA, of which 56 percent are owner-occupied, 20 percent are renter-occupied and 24 percent are vacant. Approximately 32 percent of the families in the AA are considered low-income. Moderate-income families approximate 17 percent of the population, while middle- and upper-income families comprise the remaining 51 percent. The local economy is based on agricultural and government services. The increase in absentee landowners has negatively impacted the local economy. The largest non-agricultural employers within the AA include Cottle County School District, the State of Texas, and a local nursing home facility.

Competition is moderate with one other financial institution in the AA. Farm Service Agency also

has an office in Paducah. President Jordan indicated that the bank's consumer lending has been negatively impacted by credit card solicitations.

We contacted one individual in the community for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual indicated that the local economy continues to be depressed. The individual did not identify any unmet credit needs in the community, and also indicated the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this CRA examination is January 1999 through December 2002. The loan-to-deposit ratio was calculated for the period March 1999 through September 2003. FNB's performance is satisfactory and management has been successful in meeting the credit needs of the bank's assessment area, including lending to farms of different sizes and individuals of different income (including low-and moderate-income) levels.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 36.21 percent since the prior CRA examination in June of 1999. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 41.12 percent. Traditionally, FNB has had a diverse loan portfolio offering commercial, agricultural and consumer loan products.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 09/30/03)	Average Loan-to-Deposit Ratio
First National Bank, Chillicothe	59,247	60.22
First National Bank, Paducah	42,779	36.21%
First National Bank, Quanaah	83,398	33.47
Memphis State Bank	50,908	26.74
Spur Security Bank	26,161	48.92%

Source: Institution Reports of Condition from June 1998 to March 2003

Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. In order to assess performance for this criteria, we reviewed 24 agricultural and 25 consumer loans originated between January 1999 and December 2002. Our analysis determined that 83.7 percent of the number of loans and 88.9 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agricultural	21	87.5	421	92.9	3	12.5	32	7.1
Consumer	20	80.0	209	81.6	5	20.0	47	18.4
Total Reviewed	41	83.7	630	88.9	8	16.3	79	11.1

Source: Sample of loans used for CRA performance analysis

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

FNB's loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and businesses of different sizes with their AA. To perform our analysis, we reviewed income information of 24 agricultural- and 30 consumer-purpose loans in the Cottle County AA.

Agricultural Loans - Based on 2002 Business Demographic Data, there are 288 agricultural operations with reported revenues located within the Cottle County AA. Of this number, 96.5 percent of operations reported revenues less than or equal to \$1 million. Of the loans in the agriculture purpose sample, 100 percent were to operations reporting annual revenues below \$1 million. This level exceeds the assessment area information and reflects an excellent penetration of agricultural loans to small operators. The following chart reflects the results of our selected sample of agricultural loans originated in this AA.

Borrower Distribution of Loans to Agricultural Operators in Cottle County Assessment Area		
Agricultural Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farm Operations	96.5%	3.5%
% of Bank Loans in AA by #	100%	0.0%
% of Bank Loans in AA by \$	100%	0.0%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the Cottle County AA. Based on 1990 Census Information, 49.6 percent of households in the AA are low- and moderate income. Our review determined that 61.1 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Borrower Distribution of Consumer Loans in Cottle County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	32.5%		17.1%		16.6%		33.9%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	35.0%	49.0%	20.0%	12.1%	25.0%	28.3%	20.0%	10.6%

Source: Loan sample; 1990 U.S. Census data.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of FNB's loans. The bank's AA consists of one middle income BNA. There are no low-or moderate-income BNAs in the bank's AA. Therefore, this type of analysis would not be meaningful.

Responses to Complaints

No complaints relating to CRA performance have been received by FNB.

Fair Lending Review

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