



PUBLIC DISCLOSURE

July 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank at Paris
Charter Number 14209

11 East Main St
Paris, AR 72855

Office of the Comptroller of the Currency

Victory Building
1401 West Capitol Avenue
Suite 350
Little Rock, AR 72201

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 First National Bank at Paris's (FNBP) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).

- The average loan-to-deposit ratio for FNBP is more than reasonable in comparison to similarly situated institutions in the AA.
- A majority of loans were originated inside of the bank's AA.
- The penetration of loans by borrower income and business/farm size shows reasonable penetration.
- Geographic dispersion of borrowers shows reasonable dispersion throughout the bank's AA.
- FNBP has not had any Community Reinvestment Act (CRA) related complaints since the prior CRA Examination dated September 9, 2008.

SCOPE OF EXAMINATION

FNBP was evaluated using small bank CRA criteria. The bank's AA consists of Logan and Scott Counties in West-Central Arkansas, which includes nine census tracts (CTs). The evaluation period for this CRA Performance Evaluation (PE) is June 30, 2008, through March 31, 2014. Since the bank is not located in a Metropolitan Statistical Area (MSA), FNBP is not a Home Mortgage Disclosure Act (HMDA) reporter. The sample of loan products used to assess the bank's performance under the Lending Test include residential real estate, commercial real estate (CRE), and agricultural real estate loans originated between January 1, 2012 through December 31, 2013. The loan sample consisted of 58 total loans comprised of 20 residential real estate loans, 20 agricultural real estate loans, and 18 commercial real estate loans. The smaller sample of commercial real estate is a result of FNBP only originating 18 CRE loans during the assessment period. Three of these CRE loans were outside of the AA, the remaining 15 loans were then included in the lending test. The evaluation period loan sample and the related borrower demographics are compared to data from the 2010 Census. Those loans that were found to be inside the AA were used for the other lending tests.

DESCRIPTION OF INSTITUTION

FNBP is 100% owned by Union Bankshares, Inc., a two-bank holding company located in Mena, AR. The bank operates four locations, the full service main office in Paris and three full service branches located in Booneville, Caulksville, and Waldron. There are no legal or financial impediments that would limit the bank's ability to meet the credit needs within its AA. As of March 31, 2014, the bank had total assets of \$122.4 million with \$104.1 million in deposits and \$84.7 million in loans. The bank's last CRA examination was performed by the OCC as of September 9, 2008, and was rated **Satisfactory**.

The bank's lending is primarily focused on residential real estate, agricultural real estate, and commercial real estate loans. The bank's loan portfolio composition as of March 31, 2014, is as follows:

Table 1 - Loan Portfolio Composition as of December 31, 2013		
Loan Type	Dollar Amount (\$000's)	Percent of Total Loans
Construction and Land Development	1,239	1.46%
Secured by Farmland	22,044	25.98%
One-to-Four Family	32,030	37.75%
Multifamily Residential	1,954	2.31%
Commercial Real Estate	13,190	15.55%
Total Real Estate Loans	\$70,457	83.05%
Agricultural	3,538	4.17%
Commercial and Industrial	3,573	4.21%
Consumer	7,272	8.57%
Total Loans	\$84,840	100.00%

Source: Schedule RC-C: Call Report – March 31, 2014

DESCRIPTION OF ASSESSMENT AREA

FNBP's AA consists of Logan and Scott Counties in West-Central Arkansas. As of the 2010 census, the AA had a combined population of 33,586. The AA consists of all nine CTs within Logan and Scott Counties. The AA contains only whole CTs and does not arbitrarily exclude low- or moderate-income (LMI) tracts. There are no low-income CTs, one moderate-income CT, seven middle-income CTs, and one upper-income CT. The AA contains several small towns including Paris and Waldron, which serve as the county seats for Logan and Scott County. A 2012 census estimate reflects populations of 3,474 and 3,544 for each city respectively. The AA contains 12,664 households and 9,161 families. Approximately 18% of households and 13% of families are below the poverty line. Table 2 shows additional Demographic and Economic characteristics of the AA:

Table 2 - Demographic and Economic Characteristics	
	2010 Census
Population	
Number of Families	9,161
Number of Households	12,664
Geographies	
Number of Census Tracts	9
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	11.11%
% Middle-Income Census Tracts	77.78%
% Upper-Income Census Tracts	11.11%
Not Applicable	0.00%
Median Family Income (MFI)	
MFI for AA	\$45,871
Economic Indicators	
Unemployment February 2014 (not seasonally adjusted)	8.49%
Median Housing Value	\$77,422
% of Households Below the Poverty Level	17.53%

Source: 2010 Census data, St. Louis Federal Reserve

The AA is primarily an agricultural and small business community, but does include other means of employment. The leading employers in the AA include Cloyes Gear and Product Company, which manufactures various gears and transmissions for the automotive industry and Tyson Foods, which has a large poultry processing plant located in Scott County.

Banking competition within the AA is high. There are 10 banks in the AA with 18 offices competing for \$494 million in deposits. First Western Bank in Booneville, AR holds the largest share of the market with 26.28% of deposits within the AA. FNBP's market share is second with 20.45% of AA deposits. Table 3 illustrates the deposit market share within the AA as of June 30, 2013:

Table 3 - Deposit/Market Share Summary, June 30, 2013					
Bank Name	Outside AA		Inside AA		
	# Offices	Deposits (\$000)	# Offices	Deposits (\$000)	Market Share
First Western Bank	5	125,666	4	130,024	26.28%
The First National Bank at Paris	0	0	4	101,160	20.45%
Logan County Bank	0	0	2	61,409	12.41%
Chambers Bank	18	505,220	2	54,904	11.10%
First National Bank (Hot Springs)	22	480,589	1	53,136	10.74%
Five Other Banks in Deposit Market	2,113	108,545,318	5	94,102	19.02%
Totals	2,158	109,656,793	18	494,735	100.00%

Source: FDIC

A community contact interview was performed in conjunction with this examination. The contact characterized the AA as economically depressed with an aging population and minimal economic development in recent years. The contact’s focus is to work with the local Chamber of Commerce’s Economic Development Committee in order to bring small businesses or startup businesses to the area. The contact indicated that small business loans are key needs, in order to attract business opportunities to the area, as well as continued efforts by local institutions to provide financial literacy programs. The contact indicated that the primary ways local financial institutions can participate is by continuing programs that help citizens learn how to save money and invest for the future, and by providing small business and startup loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBP’s average loan-to-deposit (LTD) ratio of 82.96% is above the AA average LTD ratio and exceeds the standards for satisfactory performance. The bank’s LTD ratio is more than reasonable given its size, financial condition, funding sources, and AA credit needs.

Table 4 below displays the average LTD ratio derived from a 22-quarter average from September 2008 to March 2014. For this analysis, two banks that are similarly situated, or that had a significant market presence, were reviewed in order to determine the bank’s performance. These banks are First Western Bank in Booneville, AR and Logan County Bank in Scranton, AR. The three institutions as a whole had an average LTD ratio of 68.44%. The individual institution LTD ratios ranged from a low of 37.52% to a high of 84.84%.

Table 4 - Loan-to-Deposit Ratio		
22 Quarter Average from September 2008 to March 2014		
Institution	Assets (as of 3/31/2014) \$(000)	Average LTD Ratio
First Western Bank	\$308,657	84.84%
The First National Bank at Paris	\$122,895	82.96%
Logan County Bank	\$75,486	37.52%
AA Average		68.44%

Source: Uniform Banking Performance Reports (Call reports)

Lending in Assessment Area

Lending in the AA meets the standards for satisfactory performance by having a majority of loans inside the AA. As seen in Table 5, over 89% of loans by number and over 95% by dollar volume were made inside the bank’s AA. Table 5 shows the primary lending categories that were sampled and their individual product’s inside-outside ratios.

Table 5 - Lending in Logan and Scott AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	17	85.00	3	15.00	20	648	78.83	174	21.17	822
Commercial Real Estate	15	83.33	3	16.67	18	2,189	96.32	84	3.68	2,273
Agricultural Real Estate	20	100.00	0	0.00	20	2,131	100.00	0	0.00	2,131
Totals	52	89.66	6	10.34	58	4,968	95.06	258	4.94	5,226

Source: Loan Sample, 2010 US Census

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

FNBP's lending to borrowers of different income levels and businesses of different sizes meets the standards for satisfactory performance. The institution demonstrates reasonable to excellent penetration in all three categories, and demonstrates good penetration when lending to businesses and farms of different sizes. In data compiled by Dun and Bradstreet, CRE reflected a large percentage of unavailable or unknown business revenues that reflect a lower level of AA businesses needed to achieve excellent penetration. Considering the economic conditions of the AA, these business revenues would likely fall below the \$1 million revenue threshold. With an increased number of known AA business revenues, the bank would have performed at a reasonable penetration rather than excellent penetration in these loan products. As a result, more weight was given to the borrower penetration within residential real estate loans as the borrower income level was known for all of these loans within the AA. This further supports the bank's borrower distribution meeting the standards for satisfactory performance.

Residential Real Estate Loans

Table 6A - Borrower Distribution of Residential Real Estate Loans in Logan and Scott AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential Real Estate	17.89	20.00	17.35	10.00	21.25	0.00	43.51	70.00

Source: Loan sample, 2010 US Census data

Table 6A shows the distributions of residential real estate loans, to borrowers of different income levels. Residential real estate loans to low-income borrowers shows excellent penetration, while lending to moderate income borrowers reflects reasonable penetration. LMI families in the AA represented 35.24% of all AA families, and the bank cumulatively made 30% of its residential real estate loans to LMI families. This aggregate penetration of LMI families was determined to be reasonable to meet the standards for satisfactory performance.

Small Business Loans

Table 6B - Borrower Distribution of Loans to Businesses in Logan and Scott AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.95	2.78	24.27	100.00
% of Bank Loans in AA by #	93.33	6.67	0.00	100.00
% of Bank Loans in AA by \$	88.58	11.42	0.00	100.00

Source: Loan Sample; Dun and Bradstreet data.

Table 6B shows the distribution of commercial real estate loans to businesses by size, as determined by revenues, in comparison to the prevalence of those businesses in the AA. The bank demonstrated excellent penetration when lending to business with revenues less than \$1 million. The bank's distribution of loans to businesses with revenue less than \$1 million exceeds the standards for satisfactory performance. More than 93% of loans by number and 88% by dollar volume are made to businesses with revenues under \$1 million, compared to 72% of businesses in the AA having revenues under \$1 million. It is important to note that 24% of AA business revenues were unknown or unavailable. Considering local economic conditions, these revenues would likely fall below the \$1 million revenue threshold, increasing the number of AA businesses required to perform at an excellent penetration.

Small Farm Loans

Table 6C - Borrower Distribution of Loans to Farms in Logan and Scott AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.59	0.00	0.41	100.00
% of Bank Loans in AA by #	100.00	0.00	0.00	100.00
% of Bank Loans in AA by \$	100.00	0.00	0.00	100.00

Source: Loan Sample; Dun and Bradstreet data.

Table 6C shows the distribution of loans to farms by size, as determined by revenues, in comparison to the prevalence of those farms in the AA. The bank demonstrated excellent penetration to farms with revenues less than \$1 million, and exceeds the standards for satisfactory performance. FNPB made 100% of loans by number and dollar volume to farms with revenues under \$1 million.

Geographic Distributions of Loans

Geographic distribution of loans meets the standards for satisfactory performance, demonstrating reasonable dispersion. The AA contains nine CTs, with none listed as low-income, one listed as moderate-income, seven listed as middle-income, and one listed as upper-income. Although our analysis found two of three primary products achieving excellent dispersion, more weight was given to the results from the small business geographic distribution. As indicated by our community contact, business loans are seen as a credit need in the area. Although there is only one moderate CT, the bank has a full-service branch within this CT but was only able to have reasonable dispersion in the CT. This further supports the bank’s geographic distribution meeting the standards for satisfactory performance. The bank originated loans in all CTs within the assessment area from January 1, 2012, through December 31, 2013. Our loan sample and analysis reflects lending from all nine CTs.

Residential Real Estate

Table 7A - Geographic Distribution of Residential Real Estate Loans in Logan and Scott AA								
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
Residential Real Estate	0.00	0.00	9.93	35.00	83.09	50.00	6.98	15.00

Source: 2010 US Census, Loan Sample

Table 7A shows the bank’s excellent dispersion of loans to different income CTs for residential real estate loans. Residential real estate loans exceeded the AA benchmarks of loans to moderate-income tracts compared to the level of owner occupied housing in that tract. Table 7A shows that 35% of the bank’s residential real estate loans were made in moderate income CTs. The bank’s opportunities to make residential real estate loans in these areas are limited with only 9.93% of owner occupied housing located in moderate income CTs. Additionally, 36.5% of all households located in moderate-income CTs are low-income households, and 33.9% of the households located in moderate-income tracts are below the poverty line, further decreasing the bank’s opportunity to lend to these areas.

Small Business Loans

Table 7B - Geographic Distribution of Loans to Businesses in Logan and Scott AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Real Estate	0.00	0.00	14.42	13.33	76.67	86.67	8.91	0.00

Source: 2010 Census, Loan Sample

Table 7B shows the bank’s dispersion of commercial real estate loans to businesses located in moderate-income CTs to meet the standards for satisfactory performance. The moderate-income CT contained 14.42% of AA businesses, but the bank only had a reasonable dispersion of 13% to businesses in these tracts.

Small Farm Loans

Table 7C - Geographic Distribution of Loans to Farms in Logan and Scott AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural Real Estate	0.00	0.00	9.84	35.00	73.36	65.00	16.80	0.00

Source: 2010 Census, Loan Sample

Table 7C shows the bank’s dispersion of agricultural real estate loans located in moderate-income CTs exceeds the standards for satisfactory performance. Only 9.84% of AA businesses are located in moderate-income CTs, but the bank had an excellent dispersion of 35% to businesses in these tracts.

Responses to Complaints

FNBP has not had any complaints made relating to its lending practices since the prior examination dated October 21, 2008.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of

discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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