



PUBLIC DISCLOSURE

June 18, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Liberty National Bank in Paris
Charter Number 13541

305 Lamar Avenue
Paris, Texas 75460-4325

Office of the Comptroller of the Currency

1800 West Loop 281
Suite 306
Longview, Texas 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, and should not 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.

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Overall Community Reinvestment Act (CRA) Rating

The Lending Test is rated: Satisfactory.

- The bank has a reasonable loan-to-deposit (LTD) ratio when compared to peer banks.
- A substantial majority of the bank's primary loan products are extended within the assessment area (AA).
- The distribution of loans represent a reasonable penetration among borrowers of different income levels and businesses of different sizes given the performance context in which the bank operates.
- The geographic distribution of loans represents a reasonable dispersion.
- There were no CRA related complaints.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area (MA)/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of MAs. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under the U. S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA or outside the AA provided the bank has adequately addressed the community development needs of its AA.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan: A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area (MSA) to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement, and re-financings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing, and one- to four-family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the bank as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any MSA or metropolitan division (MD), as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a core based statistical area that contains an urbanized population of at least 2.5 million. An MD consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties, having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the bank collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data a bank may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state MA. For a bank with domestic branches in only one state, the bank's CRA rating would be the state rating. If a bank maintains domestic branches in more than one state, the bank will receive a rating for each state in which those branches are located. If a bank maintains domestic branches in two or more states within a multi-state MA, the bank will receive a rating for the multi-state MA.

Small Loan to Business: A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (call report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan to Farm: A loan included in 'loans to small farms' as defined in the instructions for preparation of the call report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings, and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Bank

The Liberty National Bank (LNB) in Paris, TX is a bank with \$292 million in total assets operating in a single state. The bank is wholly owned by Paris Bancshares, Inc. LNB serves Lamar County and operates two full service branches in the city of Paris. Drive-through facilities and Automated Teller Machines (ATM) are maintained at these locations, with an additional stand-alone ATM located at 1929 Bonham, Paris, TX.

LNB is a full service bank and offers a variety of traditional loan and deposit products, and financial services. As of March 31, 2018, gross loans totaled \$132.6 million and represented 45 percent of total assets. The following chart reflects the composition of the bank's loan portfolio as of March 31, 2018.

Loan Category	\$(000)	%
Real Estate Loans	98,556	74.31
Commercial Loans	11,889	8.96
Individual Loans	15,662	11.81
Agriculture Loans	4,219	3.19
Other	2,295	1.73
Total	132,621	100.00

There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. The bank was rated "Satisfactory" during the prior CRA examination dated April 30, 2014. OCC records and the bank's CRA Public File indicate there have been no complaints related to the bank's CRA performance. LNB's tier 1 capital equaled \$46 million, representing 16.23 percent of adjusted average assets as of March 31, 2018.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) is an assessment of LNB's ability to meet the credit needs of the communities in which it operates. LNB was evaluated under the Small Bank performance criteria, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. Conclusions regarding the bank's lending performance are based on commercial and consumer loans originated from January 1, 2015 to December, 31, 2017.

Commercial loans represented 39.68 percent of the loan products by dollar amount and 13.19 percent by number. Although consumer loans represented only a small percentage

by dollar at 20.03 percent, representation by number was significant at 70.95 percent. Our sample included 82 consumer loans and 45 commercial loans. In addition, income distribution and geographic dispersions were analyzed as two separate samples due to different demographic data being in place for these two time periods. The first sample consisted of loans that originated in years 2015 and 2016. The second sample consisted of loans that originated in 2017.

Data Integrity

Not applicable. The bank is not a HMDA reporter.

Selection of Areas for Full-Scope Review

We performed a full-scope review on the Lamar County AA.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of HUD, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this bank [or any affiliate whose loans have been considered as part of the bank's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this bank engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the bank's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this PE.

Conclusions with Respect to Performance Tests

LENDING TEST

LNB's performance under the lending test is satisfactory. The bank's LTD ratio is reasonable when compared to institutions near the AA, and a substantial majority of the lending occurred within the AA. Additionally, the distribution of loans geographically and to borrowers and businesses of different income levels is reasonable.

Loan-to-Deposit Ratio

The LTD ratio for LNB is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average LTD ratio since the previous CRA examination is 45.66 percent, compared to an average LTD ratio of 80.06 percent for similarly situated banks. The ratio is lower than those of other area banks; however, the lower ratio is attributed to the bank's deposit structure and strong bank competition. As of March 31, 2018, LNB held \$26 million in public fund deposits, which represents 10.64 percent of total deposits.

In addition, LNB's LTD ratio has improved when compared to the average LTD ratio of 39.56 percent during the last CRA examination. LNB experienced loan growth of 20 percent during the 2017 calendar year and the current LTD ratio is 52.68 percent as of March 31, 2018. LNB continues to offer loans as low as \$500 to meet the credit needs of the community, with 227 loans of \$1,000 or less being made between 2015 and 2017.

Lending in Assessment Area

A substantial majority of the bank's lending activity is located inside its AA. We reviewed a sample of consumer and commercial loans that originated during 2015, 2016, and 2017. This sample reflects 88.75 percent of the number of loans were extended in the bank's AA. Refer to the following table:

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	36	90.00%	4	10.00%	40	303	85.11%	53	14.89%	356
Commercial	35	87.50%	5	12.50%	40	5,251	86.88%	793	13.12%	6,044
Totals	71	88.75%	9	11.25%	80	5,554	86.78%	846	13.22%	6,400

Source: Loan sample.

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

LNB's distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration given the overall demographics of the AA.

The distribution of commercial loans is reasonable. The percentage of number of loans to businesses with reported revenues of \$1 million or less was 100 percent in years 2015-2016 and 75 percent in 2017. The following tables show the distribution of commercial loans among different sized businesses in the AA for each sample.

Table 2A - Borrower Distribution to Businesses in 2015 - 2016				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	82.00%	5.39%	12.61%	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 2A - Borrower Distribution to Businesses in 2017				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	81.60%	5.60%	12.80%	100.00%
% of Bank Loans in AA by #	75.00%	25.00%	0.00%	100.00%
% of Bank Loans in AA by \$	41.97%	58.03%	0.00%	100.00%

Source: Loan sample; Dun and Bradstreet data.

The distribution of loans among individuals of different income levels is reasonable based on consumer loans. The percentage of loans to both low- and moderate-income borrowers was exceeded in both the sample covering years 2015-2016 and the sample covering 2017. In years 2015-2016, the bank surpassed the low-income household demographic of 19.69 percentage by actual penetration of 30 percent. The tables below show the distribution of consumer loans by borrower income levels.

Table 2B - Borrower Distribution of Consumer Loans in 2015 -2016									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% 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	
Consumer Loans	19.69%	30.00%	18.84%	20.00%	20.05%	25.00%	41.41%	20.00%	5.00%

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

Table 2B - Borrower Distribution of Consumer Loans in 2017									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% 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	
Consumer Loans	21.59%	25.86%	18.61%	22.41%	20.37%	22.41%	39.44%	29.31%	0.00%

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

Geographic Distribution of Loans

LNB’s overall geographic distribution of loans reflects reasonable geographic dispersion given the demographics of the AA.

The geographic distribution of commercial loans reflects reasonable dispersion. For the years 2015-2016, LNB accomplished notable dispersion efforts in the moderate-income geographies with 25 percent of sampled loans, which represents 78 percent of the demographic comparator. LNB’s AA did not include a low-income CT prior to 2017. The sample of commercial loans made in 2017 indicates the bank made 20 percent of loans to business in moderate-income geographies, which is below the demographic comparator of 31.09 percent. However, in that same year, 35 percent of commercial loans were made in a low-income geography, which is significantly above the demographic comparator of 9.69 percent. This is due to recent efforts to improve the Paris downtown area, which is located in a low-income geography, by promoting business development and restoring older buildings. The following tables reflect the bank’s performance as compared to the percentage of businesses in each CT income level.

Table 3A - Geographic Distribution of Commercial Loans in 2015 - 2016								
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 Loans	0.00%	0.00%	31.79%	25.00%	43.96%	50.00%	24.25%	25.00%

Source: Loan sample; Dun and Bradstreet data.

Table 3A - Geographic Distribution of Commercial Loans in 2017								
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 Loans	9.69%	35.00%	31.09%	20.00%	33.96%	30.00%	25.25%	15.00%

Source: Loan sample; Dun and Bradstreet data.

The geographic distribution of consumer loans reflects reasonable dispersion. The sample of consumer loans originating in years 2015-2016 indicates LNB made 30 percent of loans in moderate income geographies, which is slightly above the available demographic of 27.49 percent. Similarly, LNB made 32.76 percent of consumer loans from 2017 to individuals in moderate-income geographies, surpassing the available demographic of 25.77 percent. Additionally, LNB extended 10.34 percent of consumer loans from 2017 to borrowers in a low-income geography, which compares to the demographic comparator of 7.79 percent.

Table 3B - Geographic Distribution of Consumer Loans in 2015 - 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Consumer Loans	0.00%	0.00%	27.49%	30.00%	51.95%	50.00%	20.56%	20.00%

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

Table 3B - Geographic Distribution of Consumer Loans in 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Consumer Loans	7.79	10.34%	25.77%	32.76%	44.11%	39.66%	22.33%	17.24%

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

Responses to Complaints

LNB has not received any CRA related complaints during this evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes certificate of deposit loans): 01/01/15 to 12/31/17	
Financial Institution		Products Reviewed
LNB in Paris Paris, Texas		Consumer Loans and Commercial Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of AA and Type of Examination		
AA	Type of Exam	Other Information
Lamar County	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

The AA meets the requirements of the regulation. Lamar County consists of the following cities: Blossom, Cunningham, Paris, Powderly, Toco, Roxton, Reno, Sumner, Sun Valley, and a portion of Deport. As of 2017, there are 12 CTs located within the AA, including one low-income CT, four moderate-income CTs, five middle-income CTs, and two upper-income CTs. There are no CTs that have been designated as distressed or underserved.

Lamar County has a total population of 49,566 based on U.S. Census data. The largest industries are manufacturing and retail trade. Major employers include Paris Regional Medical Center, Campbell Soup, Kimberly-Clark, and Turner Industries.

The level of competition in the AA is considered high, with several financial institutions, payday lenders, car dealers, and pawn shops. Major bank competitors include First Federal Credit Union, Liberty National Bank, and Peoples Bank. Contact with the Finance Department of the City of Paris did not indicate any credit needs that were not being met by local financial institutions. Information obtained from the community contact indicates local banks are active in the community and are engaged in economic development activities.

Assessment Area 2015 - 2016 Demographics

Demographic Information for Full-Scope Area: Lamar County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00	33.33	50.00	16.67	0.00
Population by Geography	49,793	0.00	26.48	52.59	20.93	0.00
Owner-Occupied Housing by Geography	13,108	0.00	18.67	56.62	24.71	0.00
Businesses by Geography	3,039	0.00	31.79	43.96	24.25	0.00
Farms by Geography	204	0.00	9.31	75.98	14.71	0.00
Family Distribution by Income Level	13,724	19.69	18.84	20.05	41.42	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,288	0.00	38.16	49.74	12.10	0.00
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$52,400 = 3,203 or 16.81%	Median Housing Value Unemployment Rate		= \$76,154 = 4.02%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

Assessment Area 2017 Demographics

Demographic Information for Full-Scope Area: Lamar County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	8.33	33.33	41.67	16.67	0.00
Population by Geography	49,566	7.81	25.00	44.34	22.84	0.00
Owner-Occupied Housing by Geography	12,420	4.05	19.09	51.00	25.86	0.00
Businesses by Geography	3,065	9.69	31.09	33.96	25.25	0.00
Farms by Geography	186	1.08	10.75	71.51	16.67	0.00
Family Distribution by Income Level	13,281	21.59	18.61	20.37	39.44	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,338	11.46	34.06	42.36	12.12	0.00
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$54,200 = 3,641 or 19.14%	Median Housing Value Unemployment Rate				= \$81,450 = 4.28%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2017 HUD updated MFI.