



PUBLIC DISCLOSURE

April 3, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Tipton Latham Bank, National Association
Charter Number 24092
800 West Highway 50
Tipton, MO 65081-0759

Office of the Comptroller of the Currency
7101 College Boulevard
Suite 1600
Overland Park, KS 66210

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 major factors supporting the institution's rating.

- The in/out ratio and the loan-to-deposit ratio are both satisfactory.
- Lending to consumers within the assessment area (AA) significantly exceeds demographics to both low- and moderate-income borrowers.
- Small loans made to businesses exceeds demographics in the AA by both dollar and by number.

SCOPE OF EXAMINATION

Examiners used the small bank examination procedures to evaluate The Tipton-Latham Bank, NA's (TLB) record of meeting the credit needs of its community through its lending activities. The lending test review period is January 1, 2015 through December 31, 2016. The bank has one AA, Tipton Moniteau AA. The bank's primary loan products in its AA are commercial and consumer loans. Conclusions were based on the bank's primary products originated: commercial and consumer loan products originated or purchased during the review period in the AA and compared to the 2010 census demographics. We sampled 31 commercial and 30 consumer loans for the review period.

DESCRIPTION OF INSTITUTION

TLB is a nationally chartered community bank with its home office in Tipton, Missouri. TLB is a wholly owned subsidiary of Latham Bancshares, Inc., a one-bank holding company. TLB operates one full-service branch location in Latham, MO, and one ATM in its main bank location. Since the last CRA examination, TLB has not added or closed any branches, or made any significant changes to its corporate structure, including merger or acquisition activities.

As of December 31, 2016, TLB's assets totaled \$118 million. The bank offers a full range of deposit and loan products and services. At year-end 2016, TLB reported net loans of \$75 million and net loans and leases to total assets ratio of 64 percent. The loan portfolio is comprised of real estate loans, at 66 percent, commercial loans, at 15 percent, agricultural loans, at 14 percent, and individual loans, at 5 percent, based on the dollar amounts of loans outstanding. The primary products based on originations are commercial loans, by dollar, and consumer loans, by number. Deposit products and services include basic checking and savings accounts, NOW accounts, money market accounts and certificates of deposit. Tier 1 capital is 11 percent.

TLB has the financial capacity to assist in meeting the credit needs of its AAs. The bank was rated outstanding as a small bank at its last Community Reinvestment Act (CRA) examination, dated January 7, 2011.

DESCRIPTION OF ASSESSMENT AREA

Tipton Moniteau Assessment Area

The Tipton Moniteau AA consists of four census tracts and encompasses all of Moniteau County. Moniteau County is part of the Jefferson City, MO Metropolitan Statistical Area, and has as its seat the city of California, MO. All the county's census tracts are designated middle-income tracts.

The county is bordered on the north and northwest by Cooper County and on the west and southwest by Morgan County. Both of these adjacent counties' borders are approximately two miles from the city of Tipton, with two census tracts in Cooper County and one census tract in Morgan County immediately adjacent to the Moniteau County border. The city of Tipton serves as a primary services area for these adjacent tracts and both branches are located in the extreme western part of Moniteau County and have little relationship with the eastern part of the county.

According to the US Census Demographic data, the county population was 15,607, as of 2010. The census shows the weighted average of median family income (MFI) as \$56,776. The AA has 13.53 percent of households below the poverty level. Demographic data reports from February 2017 shows unemployment rate in the AA of 4.8 percent, compared to the state of Missouri unemployment rate of 4.1 percent and the national unemployment rate of 4.7 percent. The Tipton Correctional Center houses approximately 1200 inmates, or 7.7 percent of the county's population, and is located within in the city of Tipton.

Primary businesses within the AA are service, agriculture, retail trade, and construction. Major employers are the Tipton Correctional Center, the Tipton School District, and the Kiowa Line Builders.

Competition within the AA is moderate. There are six financial institutions in the TLB market area. As of June 30, 2016, TLB ranks first in deposit market share, accounting for 34 percent of the market. The primary competitors in the AA are Commerce Bank, Peoples Bank of Moniteau County, The Central Trust Bank, and Hawthorn Bank.

A community contact with the University of Missouri Extension Center, in Jefferson City, indicated that there is a high level of opportunity for local bank's involvement with assisting the credit needs of the community. According to him, local banks are highly involved within the community when it comes to partnering with economic development leaders of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TLB's overall CRA performance is satisfactory based on its loan-to-deposit ratio, lending in its AA, small loans to businesses of different sizes and the bank's lending to consumer borrowers of different incomes.

Loan-to-Deposit Ratio

TLB's quarterly average loan-to-deposit (LTD) ratio is reasonable at 72.14 percent. We calculated the bank's quarterly average LTD ratio using information from the Consolidated Reports of Condition from June 30, 2011 to December 31, 2016. TLB's highest rate peaked at 75.23 percent and the lowest was 69.94 percent. The quarterly average LTD ratio for similarly situated financial institutions for the same period is 76.09 percent. The highest peer ratio is 88.97 percent, and the lowest is 59.49 percent. By asset size, TLB ranked fourth out of seven similarly situated financial institutions within and surrounding the bank's AA. These financial institutions ranged from \$107.2 million to \$131.4 million in asset size, with an average asset size of \$119.1 million.

Lending in Assessment Area

Lending within the TLB's AA is satisfactory. This ratio is a bank-wide calculation. Analysis is limited to bank originations and purchases and does not include any affiliate data. For the evaluation period, the percentage of TLB's loans made within the AA are 43 percent by number and 22 percent by dollar. By loan type, 43 percent of consumer loans and 42 percent of small loans to businesses were made in the AA (by number). The percentages based on the dollar amount of loans made inside the AAs by loan type are as follows: consumer loans (54 percent) and small loans to businesses (21 percent).

While the percentage of loans within the AA is less than 50 percent, performance is satisfactory. TLB operates its main office in close proximity with the Cooper and Morgan Counties, and is located on U.S. Route 50, which is a major east-west route in the state of Missouri. TLB's branch located in Latham, MO, is within a couple of miles of the Morgan County border. TLB attracts many customers from these adjacent counties due to its location, ease of access, and the limited number of financial institutions nearby. Of the bank's two primary products, over 33 percent of the commercial loans and 28 percent of consumer loans are made in the adjacent census tracts. The total amount of commercial and consumer loans made in Moniteau County and the adjacent census tracts is 70 percent and 81 percent, respectively.

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

Overall, TLB's lending to borrowers of different incomes is excellent. TLB's performance in lending to consumers of different incomes is excellent and to businesses of different sizes is reasonable.

Consumer Loans

The overall distribution of consumer loans to borrowers of different income levels in the AA reflects excellent penetration. Lending to both low- and moderate-income borrowers is excellent and significantly exceeds demographics significantly for both. Refer to the table below for additional details.

Borrower Distribution of Consumer Loans in Tipton Moniteau AA								
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
Consumer Loans	27.21	53.85	17.79	38.46	19.31	7.69	35.69	0.00

Source: Loan Sample and 2016 Geodemographic Data and U.S. Census data.

Small Loans to Businesses

The overall distribution of small loans to businesses of different sizes shows excellent penetration. TLB’s percentage of loans to businesses with revenues of \$1 million or less exceeds demographics. Refer to the table below for additional details.

Borrower Distribution of Loans to Businesses Tipton Moniteau AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	84.02	4.62	11.36	100%
% of Bank Loans in AA by #	87.50	0.00	12.50	100%
% of Bank Loans in AA by \$	88.60	0.00	11.40	100%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

Geographical analysis in the Tipton Moniteau AA is not meaningful since there are no low- or moderate-income census tracts are in the AA.

Responses to Complaints

TLB has not received any complaints during the evaluation period relating to its CRA performance

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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 AA 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.