



SMALL BANK

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

PUBLIC DISCLOSURE

October 17, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Carrollton
Charter Number 4079**

**1 South Main Street
Carrollton, Missouri 64633**

**Comptroller of the Currency
Kansas City South Field Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204**

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 COMMUNITY REIVESTMENT ACT (CRA) RATING This institution is rated Satisfactory.

The First National Bank of Carrollton's (FNB) CRA performance is considered satisfactory for the level of lending done, and the bank is helping to meet the credit needs of its assessment area (AA). Lending performance, as measured by the net loans-to-total deposits ratio, shows the bank below the levels of similarly situated banks. Within the bank's lending activity, loans are originated in the AA and to borrowers of different income levels and businesses/farms of different sizes above the population demographics of the AA.

Examiners reviewed a sample of 20 loans for each of the bank's primary loan types originated from September 13, 1999 through December 31, 2002 to determine the bank's lending performance. We selected agricultural and consumer installment loans as the primary types based on outstanding loans funded since the last CRA evaluation. Agricultural loans (including farmland) by number and origination dollars represented 34.9 percent of loans by number and 48.7 percent funded by dollar. Consumer installment loans represented 30.7 percent of loans funded by number. We compared bank performance using these two primary loan types against demographics from 1990 U.S. Census data.

FNB has an excellent record of lending to borrowers of different incomes.

The distribution of consumer installment loans reflects an excellent penetration of low- and moderate-income borrowers, considering that 15 percent of households in the AA are below the poverty level. Based on loans sampled, FNB originated 40 percent by number and 33.4 percent by dollar to low-income borrowers, as well as 25 percent by number and 32.6 percent by dollar to moderate-income individuals. Demographic data indicates 24.9 percent and 15.9 percent of households in the AA are designated as low- and moderate-income, respectively.

FNB's lending performance to agricultural borrowers is excellent. The bank originated 100 percent of loans sampled to farms with gross revenues of less than \$1 million, and 90% of loans by number to farms with gross revenues less than \$250M. Demographic data indicates 1.9 percent of farms within the AA have revenues exceeding \$1 million.

FNB's record of lending within its AA is very good.

A significant majority of all loans originated by the bank are located in the AA. From the sampled agriculture and consumer installment loans, 90 percent by number and 89 percent by dollar were funded within the AA. This increased significantly from the last evaluation period, during which the bank funded 64 percent of loans by number and 16 percent by dollar within the AA based on sampled loans.

FNB's quarterly average loan-to-deposit (LTD) ratio since the last evaluation is below that of similarly situated banks.

The bank's LTD ratio reflects a reasonable responsiveness to the credit needs of its AA. The quarterly LTD ratio since the last CRA examination has averaged 52.2 percent. The LTD ratios of similarly situated banks within the AA ranged from 56.2 percent to 84.2 percent, and averaged 74.8 percent during the same time period. The comparison pool for similarly situated banks included four independent banks headquartered in Carroll County with similar loan mixes and total assets less than \$100 million. FNB has consistently reported a low LTD ratio, as indicated by an identical quarterly average LTD ratio of 52 percent over the prior CRA evaluation period.

The most significant factor contributing to the bank's low LTD ratio is competition within the AA, and more specifically the town of Carrollton (the bank's only location). The community has four banks (not including Farm Credit Services) serving a town of just over 4,000 residents that continues to report a decline in population. Census data indicates the Carrollton population declined 10.4 percent between 1990 and 2000. The bank also has no other branches or ATMs outside of Carrollton. Some of the competing banks benefit from either having branches in other locations to promote loan growth, or are located in areas of less competition.

An analysis of FNB's geographic distribution of credit is not meaningful. We did not perform an analysis of the geographic distribution of loans, as all census tracts in the bank's AA are designated as middle-income tracts.

FNB did not receive any complaints about its performance in helping to meet the credit needs in the AA during the evaluation period.

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

COMMUNITY DEVELOPMENT INVESTMENTS

During the evaluation period, the bank made one qualified investment of \$15M to the Carrollton Area Economic Development Neighborhood Assistance Program to fund costs of a new Senior Center in Carroll County.

We conducted two community contacts during the examination. The contacts included individuals involved in economic development and agricultural operations within Carroll County. The contacts discussed general economic conditions, and verified that primary credit needs are agriculture related. The contacts both felt the banks in the county are meeting the needs of the community, and were unaware of negative perceptions or experiences regarding any of the banks. One contact mentioned opportunities for community development would be increased and better communicated with the recent organization of the Carroll County Economic Development Council.

Comments from community contacts included in two CRA performance evaluations performed within the past twelve months on two similarly situated banks located in the AA indicate that credit needs within the AA are being met, and that the contacts were unaware of any unmet credit needs.

DESCRIPTION OF INSTITUTION

FNB is a community bank with total assets of \$35 million as of June 30, 2004, with net loans comprising 36.3 percent of total assets. FNB is headquartered and operates a motor branch with an ATM in Carrollton, Missouri. Carrollton Bancshares, a one-bank holding company and the bank's only affiliate, is also located in Carrollton and owns 100 percent of the bank. The bank is a full service facility, and offers a variety of loan products, with agriculture loans (including farmland) and consumer installment loans being the two primary loan types. There are no legal or financial constraints that impede the bank's CRA efforts.

FNB received a "Satisfactory" CRA rating at the last examination dated September 13, 1999.

DESCRIPTION OF ASSESSMENT AREA

FNB's AA includes all three census tracts in Carroll County, Missouri. The AA includes the geography where the bank, motor bank, and ATM are located. The AA consists of whole census tracts, does not reveal discrimination, and does not arbitrarily exclude any low- or moderate- income areas. The June 30, 2003 FDIC market share report indicates the bank has an 11.5 percent share of deposits within the assessment area.

1990 U.S. Census data indicates that 19 percent of families in the AA are low-income, 18 percent moderate-income, 23 percent middle-income, and 40 percent high-income. Current income designations are based on the HUD updated median family income figure of \$40,600. Over the evaluation period, the unemployment rate in Carroll County experienced a low of 2.2 percent in October 1999 and high of 6.8 percent in January 2003. Currently, the unemployment rate is 4.8 percent for the county and 5.7 percent for the state of Missouri.

Please refer to the bank's CRA Public File for more information.