



SMALL BANK

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

PUBLIC DISCLOSURE

February 7, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Tipton-Latham Bank, National Association
Charter Number 24092**

**800 West Highway 50
Tipton, Missouri 65081**

**Comptroller of the Currency
Kansas City South
1710 East 32nd Street Fountainside Plaza, Suite H
Joplin, Missouri 64804**

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 REINVESTMENT ACT (CRA) RATING

This institution is rated Outstanding.

CRA performance for The Tipton-Latham Bank, National Association (TLB) is considered outstanding for the level of lending done, and the efforts made to help meet the credit needs of its assessment area (AA). Lending performance, as measured by the net loans-to-total deposit ratio, shows the bank well above the levels of community banks in its local area. In the bank's lending activity, management has an excellent record of originating loans in its 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 since the bank's March 1, 1999 CRA examination. Agricultural loans are TLB's largest loan type by dollar volume, comprising 33% of the loans outstanding. By number and volume, consumer loans are the largest loan type representing 48% of loans outstanding. Outstanding loan information was used when evaluating agriculture and consumer loans because originated loan data was not readily available. We compared bank performance using these two primary loan types against demographics from 2000 U.S. Census data and updated HUD data information.

TLB 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. Based on loans sampled, TLB originated 55% by number and 65% by dollar to low-income borrowers and 30% by number and 28% by dollar to moderate-income individuals. Demographic data indicates 18.45% and 16.29% of households in the AA are designated as low- and moderate-income, respectively. In the bank's AA, 11.5% of households are below the poverty level.

TLB's lending performance to agricultural borrowers is excellent. The bank originated 100% of loans sampled to farms with gross revenues of less than \$1 million, and 80% of loans by number to farms with gross revenues less than \$250,000. Demographic data indicates 1.79% of farms within the AA have revenues exceeding \$1 million.

We did not perform an analysis of the geographic distribution of loans. This analysis is not meaningful since the bank's AA does not have any low- or moderate-income census tracts.

TLB originated a majority of its loans in the AA.

TLB has done a very good job lending within its AA. For agriculture loans sampled, 100% were funded within the AA both by number and by dollar. Consumer installment loans were 90% by number and 86.56% by dollar volume.

The bank's quarterly average loan-to-deposit ratio (LTD) since the last examination is excellent.

TLB's quarterly loan-to-deposit ratio since the last CRA examination has averaged 90.69%. When comparing the ratios of similarly situated banks in the AA, TLB's loan-to-deposit ratio exceeds the comparison banks' average loan-to-deposit ratio of 86% over this same time period. The comparison pool for similarly situated banks included five independent banks largely within TLB's AA with loan-to-deposit ratios ranging from 109% at the Bank of Versailles to 66% at the Peoples Bank of Jamestown. TLB has consistently reported an above average loan-to-deposit ratio, as indicated by an 87% quarterly average ratio during the prior CRA evaluation period.

TLB has not received any consumer complaints regarding its performance in helping to meet credit needs in its AA during the evaluation period.

There are no legal or financial constraints that impede the bank's CRA efforts.

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

OTHER LOAN DATA

During the evaluation period, TLB has made loans to meet its community needs. Recent examples include a \$135,000 loan to Mid-Missouri Ambulance District to purchase two ambulances, and a \$5,000 loan to the Tipton swimming pool association for needed repair work.

DESCRIPTION OF INSTITUTION

TLB is a community bank with total assets of \$64 million as of September 30, 2004, with net loans comprising 74% of total assets. Latham Bancshares, Inc., a one-bank holding company, owns 100% of the bank. TLB has one full service branch in Latham, Missouri and one automated teller machine (ATM) at its Tipton facility. Tipton is located in the northwest corner of Moniteau County, near the borders of both Morgan County and Cooper County. Latham is located approximately 15 miles southwest of Tipton in central Moniteau County. The bank offers a variety of loan products, with agriculture loans (including farmland) and consumer installment loans as its two primary loan types.

TLB received an "Outstanding" CRA rating at the last examination dated March 1, 1999.

DESCRIPTION OF ASSESSMENT AREA

TLB's assessment area (AA) includes nine census tracts (CTs) comprising all of Moniteau County and portions of Cooper and Morgan Counties. The AA's total population is 33, 775 and includes CTs 9851, 9852, 9853, and 9854 in Moniteau County; CTs 9505 and 9501 in Cooper County; and CTs 9701, 9702, and 9703 in Morgan County. CT 9851 is an upper-income geography, while the remaining eight CTs have a middle-income designation. Tipton, California, Pilot Grove, and Versailles are the largest cities within the AA. The AA consists of whole CTs, does not reveal discrimination, and does not arbitrarily exclude any low- or moderate- income areas.

The economy is primarily influenced by agriculture and light manufacturing companies. Major Tipton employers include the Missouri Department of Corrections, Orvis-Gokey Manufacturing, and Dixon Ticonderoga. Other larger employers in the AA include Company Honeysuckle White Division of Cargill Incorporated in California, and Gates Rubber Company in Versailles. In addition to the main office of TLB, Tipton is home to a branch of Exchange National Bank of Jefferson City, Jefferson City, Missouri and a branch of Commerce Bank, N.A., Kansas City, Missouri. A number of other additional lenders are found in the bank's AA. The June 30, 2004 FDIC market share report indicates the bank has a 12.52% share of deposits within its AA.

2004 updated HUD median family income is \$50,844, resulting in 18% of families in the AA being low-income, 20% moderate-income, 26% middle-income, and 36% high-income. As of October 2004, the unemployment rate was 2.6% for Moniteau County, 3.8% for Cooper County, 5.6% for Morgan County, and 5.6% for the state of Missouri based on information from the Missouri Economic and Research and Information Center.

We conducted one community contact during the examination. The contact discussed general economic conditions and credit needs of the Tipton community. The contact indicated banks located in Tipton are meeting the needs of the community, and was unaware of negative perceptions or experiences regarding any of the local banks.

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