



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 27, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Tipton-Latham Bank, National Association
Charter Number 24092

800 West Highway 50
Tipton, Missouri 65081

Office of the Comptroller of the Currency
Kansas City East Field Office
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 Outstanding

Lending performance for Tipton Latham Bank, N.A. (TLB) is outstanding. Major factors that support this rating are:

- TLB originated a substantial majority of loans inside its assessment areas (AA).
- Lending activities represent excellent penetration among individuals of different income levels and farms of different sizes.
- The loan-to-deposit (LTD) ratio is reasonable and reflects satisfactory performance.

SCOPE OF EXAMINATION

We evaluated TLB under the Small Bank examination procedures. This includes an assessment of the lending test, which evaluates the bank's record of meeting the credit needs of its AAs through its lending activities.

TLB's primary loan products are consumer and agriculture loans based on number and dollar volume of loans originated during January 1, 2009 through June 27, 2011 (review period). This is consistent with the bank's business strategy. To evaluate performance, we selected a sample of 20 loans for each primary product in each assessment area during the review period. All financial information and ratios referenced herein are as of March 31, 2011 or the review period, unless otherwise stated.

DESCRIPTION OF INSTITUTION

TLB is a community bank headquartered in Tipton, Missouri. As of March 31, 2011, TLB had total assets of \$95 million and tier one capital of \$10 million. TLB is wholly owned by Latham Bancshares, Inc., a one-bank holding company in Tipton, Missouri. In addition to the main office, TLB has one deposit-taking ATM onsite at the Tipton bank and operates an additional full-service branch in Latham, Missouri. Since the last CRA examination, TLB has not opened or closed any branches, or made any significant changes to its corporate structure, including merger or acquisition activities.

The bank offers a full range of deposit and loan products and services. Residential mortgage, agriculture and business lending are FNB's primary business focus. They also have a high volume, small dollar portfolio of consumer loans. Deposit products and services include low-cost basic checking and savings accounts, and an IRA investment product.

As of March 31, 2011, TLB reported net loans of \$54 million and had a net loans and leases to total assets ratio of 57 percent. The loan portfolio composition is as follows: home loans 34.70 percent, agriculture and farm loans 31.08 percent, business loans 24.59 percent, and consumer loans 9.63 percent, based on loans outstanding. The primary products based on originations include consumer loans by number and agricultural loans by dollars.

There are no legal or financial impediments to TLB's ability to meet the credit needs of its AAs. The bank was rated Outstanding at its last CRA examination dated February 7, 2005.

DESCRIPTION OF ASSESSMENT AREA(S)

TLB has two AAs in central Missouri, which are described below. The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low-or moderate-income areas. Due to the nationwide economic slowdown, the local economy has experienced some stress.

Competition from other financial institutions is strong. The bank's competitors include several local community banks, branches of large regional institutions, and several mortgage/finance companies.

Moniteau Assessment Area

The Moniteau AA consists of Moniteau County; all middle-income tracts. This county is located in central Missouri and is part of the Jefferson City, Missouri MSA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

The local economy is primarily influenced by service, retail, and agriculture businesses with over 80 percent of businesses reporting less than \$500 thousand in revenue. As of April 2011, the unemployment rate for Moniteau County was 7.2 percent compared to the state of Missouri's unemployment rate of 8.9 percent. The 2010 HUD updated MSA median family income for the AA is \$62,500.

Morgan-Cooper Assessment Area

The Morgan-Cooper AA consists all of Cooper County, and three of the five census tracts in Morgan County. There are a total of eight census tracts in this AA; six middle-income and two upper-income areas. The exclusion of two census tracts from the Morgan County AA was primarily due to location. They are the furthest census tracts from the bank's branches and the bank is unable to reasonably meet the credit needs in these areas.

The local economy is primarily influenced by service, retail, agriculture, and construction businesses with over 80 percent of businesses reporting less than \$500 thousand in revenue. As of April 2011, the unemployment rate for Morgan and Cooper County was 10.9 percent and 8.3 percent, respectively. This compares to an unemployment rate in the state of Missouri of 8.9 percent. The 2010 HUD non-MSA median family income for the AA is \$45,700.

Community Contact

We conducted one community contact during the examination with an organization that provides community services to low-income individuals. The organization serves both Cooper County and Moniteau County. The contact indicated that affordable housing is the primary credit need in the AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

TLB's net LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net LTD ratio averaged 85 percent since the last CRA examination. This ratio is comparable to other community banks of similar size, location, and product offerings. TLB ranks third among a total of four similarly situated banks serving its AAs. The other three banks had quarterly average net LTD ratios averaging 90 percent and ranging from 78 percent to 107 percent during the same time period.

Lending in Assessment Area

A substantial majority of the primary loan products originated by TLB are to consumers inside its AAs.

Lending in Moniteau, Morgan and Cooper Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	20	100%	0	0%	20	\$99M	100%	\$0	0%	\$99M
Agriculture	18	90%	2	10%	20	\$196M	70%	\$85M	30%	\$281M
Totals	38	95%	2	5%	40	\$295M	78%	\$85	22%	\$380M

Source: Loan sample.

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

The borrower distribution of loans is excellent in both the Moniteau and Morgan-Cooper AAs.

Performance in the Moniteau AA

The borrower distribution of loans in the Moniteau AA is excellent.

Consumer

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. The bank's level of lending significantly exceeds the demographics for low-income households and is slightly higher than demographics for moderate-income. Approximately 10 percent of households are below poverty levels.

Table 2A - Borrower Distribution of Consumer Loans in Moniteau AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of Total	% 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
		16%	45%	16%	20%	17%	20%	51%

Source: Loan sample. Income was not available on one loan (5% of sample)

Agriculture Loans

The distribution of loans to farms reflects excellent penetration among farms of different sizes. Demographic information shows that the AA has no farms with revenue over \$1 million. Income information was not collected on a majority of agriculture loans. However, based on discussions with bank management, we were able to verify that 98 percent of the dollar amount and 90 percent of the number of the bank's loans were to farms with revenues less than \$1 million. No revenue information was available on the other loans in our sample. All of the loans in our sample had original loan amounts of less than \$75 thousand; and the average loan amount was \$20 thousand. This provides additional support for lending to small farms with revenues less than or equal to \$1 million.

Table 3A - Borrower Distribution of Loans to Farms in Moniteau AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	90%	0%	10%	100%
% of Bank Loans in AA by \$	98%	0%	2%	100%

Source: Loan sample.

Performance in the Morgan-Cooper AA

The borrower distribution of loans in the Morgan-Cooper AA is excellent.

Consumer Loans

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. The level of lending significantly exceeds demographics for low-income households and is slightly higher than demographics for moderate-income. Approximately 12 percent of households in the AA are below the poverty line.

Table 2A - Borrower Distribution of Consumer Loans in Morgan-Cooper 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
% of Total	19%	45%	16%	25%	20%	25%	45%	5%

Source: Loan sample.

Agriculture Loans

The distribution of loans to farms reflects excellent penetration among farms of different sizes. Demographic information shows that the AA has no farms with revenue over \$1 million. Income information was not collected on a majority of agriculture loans. However, based on discussions with bank management, we were able to verify that 97 percent of the dollar amount and 95 percent of the number of loans were to farms with revenues less than \$1 million. No information was available on the other loans. Ninety-five percent of the farm loans in our sample were for amounts of less than \$50 thousand; and the average loan amount was \$16.5 thousand. This provides additional support for lending to small farms with revenues less than or equal to \$1 million.

Table 3A - Borrower Distribution of Loans to Farms in Morgan-Cooper AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	95%	0%	5%	100%
% of Bank Loans in AA by \$	97%	0%	3%	100%

Source: Loan sample.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not applicable. There are no low- or moderate-income census tracts in the AAs.

Responses to Complaints

This criterion is not applicable. Neither the bank nor the OCC has received written complaints about TLB's performance in helping to meet the credit needs of its AAs.

Qualified Investments and CD Services

TLB made \$2 thousand in qualified donations to local food banks and a facility that provides shelter to homeless youth.

TLB also provided one community development service. A bank officer served on the board for Senate Bill 40, which helped bring an eight-unit living facility to Tipton, Missouri. The facility is for low- and moderate-income individuals who have physical or mental disabilities. The apartment style facility is staffed with full-time support. No rent or fee is charged to the tenants.

Fair Lending or Other Illegal Credit Practices Review

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