



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 9, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Carrollton
Charter Number 4079

1 South Main
Carrollton, Missouri 64633

Office of the Comptroller of the Currency

Kansas City South Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 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 COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Satisfactory.

The major factors supporting this rating for The First National Bank of Carrollton (FNB) are:

- FNB's loan-to-deposit ratio is below the level of similarly situated banks in the assessment area (AA).
- Management originated a majority of the bank's lending activity within its AA.
- Lending to borrowers of different incomes levels and farms of different sizes is satisfactory.
- 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.
- We found no legal or financial circumstances that impede the bank's ability to help meet the credit needs in its AA.

SCOPE OF EXAMINATION

We performed an evaluation of FNB's performance using small bank CRA procedures. Our objectives were to assess the bank's ability to serve and meet the community's needs within their AA. We used all loan originations from January 2007 to July 2009 in selecting the sample for our evaluation. The bank's primary lending products granted since the last CRA examination were agriculture loans by dollar amount and consumer loans by number. To assess the bank's performance, examiners selected a sample of thirty agriculture loans and twenty-five consumer loans.

DESCRIPTION OF INSTITUTION

FNB is a community bank with total assets of \$47 million as of June 30, 2009. Net loans represented 31.7 percent of total assets, and are composed of 76 percent real estate, 18 percent agriculture, 4 percent loans to individuals, and 2 percent commercial and industrial.

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. 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 October 17, 2004.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA includes all of Carroll County, Missouri, which is not part of a Metropolitan Statistical Area. The AA includes all middle-income census tracts. The 2000 U.S. Census population of the AA was 10,285. The AA complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2009 Housing and Urban Development (HUD) median family income of the AA was \$36,774. The AA has the following income distribution for families: 16 percent low-income, 19 percent moderate-income, 28 percent middle-income, and 37 percent upper-income. Of the 4,169 households in the AA, 36 percent receive social security and 14 percent are below the poverty level. The median housing value is \$56,317 and 63 percent of the housing units are owner-occupied.

The AA area is mainly dependent on agriculture in the surrounding communities. Major employers in the area include the local hospital, local schools and government agencies. Two alternative fuel manufactures have opened in the AA within the last five years and have provided more jobs to the community. The June 2009 unemployment rate for Missouri was 9.3 percent, and the May 2009 unemployment rate for Carroll County was

10 percent.

Examiners conducted one contact with the local area Chamber of Commerce. The contact indicated the primary needs of the AA are agriculture, residential housing, and consumer needs, and that local financial institutions are adequately meeting these needs. The contact noted all of the local financial institutions are well represented at various community functions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank loan to deposit ratio is reasonable. The bank's loan-to-deposit ratio is below the level of similarly situated banks in the AA, however; the bank is making progress in growing loans.

The average of the quarterly loan to deposit ratio from 3rd quarter 2004 to 1st quarter 2009 is 42.09 percent compared to 58.12 percent and 61.12 percent for two similar banks in the area. However, there loan to deposit increased from 38.67 percent in 1st quarter 2009 to 47.10 percent in 2nd quarter 2009. A significant factor contributing to the low loan to deposit ratio is the high level of competition in the AA. Carrollton has four local banks, a few branches of larger banks, and the Farm Credit Services. However, loan demand is not driven as much by rate as it is by relationships between customer and bank. This makes it very difficult for banks to attract new customers because it is not easy to break those relationships. In addition, community's populations is not growing which further limits their ability to attract new customers.

FNB is aware of the need to reinvest deposits in their community and has taken steps in the last year to increase loan demand. With the recent hiring of Vice President West, the bank generated \$2 million in loan growth and has plans to continue active pursuit of new loans.

It should be noted that FNB has \$150,000 of Carrollton, MO School District Bonds in their investment portfolio. This represents .4 percent of deposits.

Lending in Assessment Area

The bank's record for lending to borrowers within its AA is satisfactory, as the majority of the loans the bank originated were in the AA. For loans in the evaluation period, management originated 84 percent by number and 64 percent by dollar within the AA.

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

The bank met the standards for lending to low- and moderate-income borrowers. Of our sample of 25 agriculture/farmland loans to borrowers in the AA, 20 of them were to farms with revenues of less than \$1 million. We could not include the remaining five loans due to lack of documented income information in the loan file. This is representative of the AA because 99.5 percent of farms in the AA have revenues of less than \$1 million.

Our sample of 21 consumer loans in the AA indicated that 9.52 percent and 19.05 percent of the number of loans sampled were to low- and moderate-income borrowers, respectively. Income level of the AA for low-income families is 22.96 percent and moderate-income families is 16 percent. Moderate-income loans were satisfactory

because they exceeded the moderate-income borrowers in the assessment area. While the low-income loans are less than the low-income borrowers in the AA, the 2009 census demographic data shows that 14.18 percent of the AA lives below poverty level. Given the poverty level, this is reasonable.

Geographic Distribution of Loans

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.

Responses to Complaints

FNB did not receive any written complaints regarding its CRA performance during the evaluation period.

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.