

Small Bank Performance Evaluation

Public Disclosure

September 13, 1999

**Community Reinvestment Act
Performance Evaluation**

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

1 South Main

**Office of the Comptroller of the Currency
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1200**

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First National Bank of Carrollton (FNB) prepared by the Office of the Comptroller of the Currency, as of September 13, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory**.

- The bank's record of lending within the community is good. For farm and commercial real estate loans combined, 64% of originations were made within the Assessment Area.
- Lending to farms and businesses of different sizes is very good. For the farm real estate, 100% of the loans sampled that were located within the bank's assessment area were made to farmers with gross annual revenues less than \$250M. For commercial real estate, the bank showed good penetration among commercial borrowers of different revenue sizes.
- The bank's loan-to-deposit ratio is reasonable given the opportunity for loan growth and competition within the bank's assessment area. FNB's average loan-to-deposit ratio since the last CRA examination is 52%. FNB is ranked fifth out of the six total banks used for comparison.
- FNB is participating in a matching fund program with other area banks to promote additional funding for the Economic Development Council for their area.

Description of Institution

FNB of Carrollton is a \$34MM dollar institution owned by Carrollton Bancshares Corporation, a one bank holding company and the bank's only affiliate. FNB has a main branch, a motor bank, and an ATM located in Carrollton, Missouri (Carroll County seat).

There are no impediments that hamper FNB's ability to help meet the credit needs in its assessment area. Using information from the June 30, 1999 Call Report, total loans comprise 52% of total assets. The dollar volume breakdown of FNB's loan portfolio

consists of farm real estate loans (45%), commercial real estate (23%), agricultural production (9%), one-to -four family real estate (9%), commercial and industrial (7%) and other (6%). Bank generated loan trials of originations since the last examination support farm and commercial real estate as the two primary products originated by the bank. In addition to loans, the bank offers a full range of traditional banking services.

Our conclusions are based on a review of FNB's CRA efforts from May 23, 1996 through September 13, 1999.

FNB was rated "Satisfactory record of meeting community credit needs" at its last CRA examination in May 1996.

Description of Carroll County Assessment Area

FNB's Assessment Area (AA) is comprised of Carroll County, which includes three Block Numbering Areas (BNAs). All three BNAs have been designated as middle-income. The AA meets all regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The AA is not located in a metropolitan statistical area (MSA).

The weighted average of MSA/Non-MSA's Updated Median Family Income is \$34,900 for the AA. Carroll County's 1990 population is 10,748. Of the total population, 19% of families qualify as low-income, 18% moderate-income, 23% middle-income and 40% upper-income. Within the assessment area, 15% of the households are below the poverty level, and would likely not qualify for credit.

Unemployment is low, affecting approximately 3% of the population. The local community is heavily dependent upon the agriculture economy. Primary businesses include wholesale trade and retail establishments. There are five financial institutions in Carroll County and the surrounding area, which provide strong competition for FNB. The financial institutions range in size from \$14MM to \$461MM. Farm Credit is also a very aggressive competitor for loan growth. Local insurance offices are also starting to offer time deposit products.

We made a community contact with a community based development organization in conjunction with this examination. The contact indicated lending opportunities were limited, but there were ample opportunities for banks to contribute their time and services to promote economic development. The primary needs identified were loans to small business owners currently operated within Carroll County, and contributions to local development agencies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Comparison of Credit Extended Inside and Outside of the Assessment Area

Overall, lending within the Assessment Area is reasonable. For farm and commercial real estate credit combined, 64% of originations were made within the Assessment Area.

For the farm real estate loan sample, we reviewed 20 borrowing relationships. These 20 relationships originated 43 loans since the bank’s last CRA examination. There were 101 total originations for the same time period. Therefore, we reviewed 43% of total farm real estate originations. The following table summarizes the bank’s performance for lending within the assessment area for farm real estate.

Lending within the Assessment Area Farm Real Estate Sample				
	# of originations	% of total originations	\$ of total originations	% of total originations
In the AA	16	80%	\$1,091,599	32.08%
Out of the AA	4	20%	\$2,311,114	67.92%
Total	20	100%	\$3,402,713	100%

For the commercial real estate loan sample, we reviewed 13 borrowing relationships. Since the last CRA examination, the bank has originated loans with 21 different borrowing entities. However, as of our examination date, only 13 borrowers had loans outstanding. Information was not readily available for borrowers who had paid off their commitments. The 13 relationships reviewed originated 22 loans, or 55% of total originations for the time period. The opportunities for commercial loan growth within the community are limited. FNB pursued loan participations with out-of-area banks as an additional source of income and loan growth. Due to the increase in loan participations, the level of lending within the AA has decreased, and only 38% of these originations are in the AA. This is not a concern due to the overall level of lending in the AA.

Lending within the Assessment Area Commercial Real Estate Sample				
	# of originations	% of total originations	\$ of total originations	% of total originations
In the AA	5	38.46%	\$300,529	5.69%
Out of the AA	8	61.54%	\$4,980,838	94.31%
Total	13	100%	\$5,281,367	100%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB's lending to borrowers of different income levels and businesses of different sizes is very good. FNB's primary product lines are farm and commercial real estate. We reviewed a sample of originations since May 1996 for these two types of credit. Demographic information for the AA indicates all farms and approximately three-fourths of all businesses have annual revenues under \$1MM. The following tables provide specific information for lending to different size farming operations and commercial businesses.

Lending to Borrowers of Different Sizes Farm Real Estate Sample				
Gross Revenues	# of originations	% of total originations	\$ of total originations	% of total originations
< \$250M	14	100%	\$1,014,799	100%
\$251M - \$500M	0	0%	\$0	0%
\$500M - \$751M	0	0%	\$0	0%
\$751M - \$1MM	0	0%	\$0	0%
> \$1MM	0	0%	\$0	0%
	14 ¹	100%	\$1,014,799	100%

Lending to Businesses of Different Sizes Commercial Real Estate Sample				
Gross Revenues	# of originations	% of total originations	\$ of total originations	% of total originations
< \$250M	2	40%	\$114,000	37.93%
\$251M - \$500M	1	20%	\$10,000	3.33%
\$500M - \$751M	1	20%	\$90,000	29.95%
\$751M - \$1MM	0	0%	\$0	0%
> \$1MM	1	20%	\$86,529	28.79%
	5	100%	\$300,529	100%

Geographic Distribution of Loans

The bank's entire Assessment Area has been designated as middle-income. Therefore, analysis of geographic distribution is not meaningful.

¹ There were 16 loans originated within the AA. However, income information was not available for two of those loans, therefore they could not be included in this analysis.

Loan-to-Deposit Analysis

The bank's lending volume is reasonable given the competition and limited opportunities for loan growth. We reviewed the Net loans & leases to Deposits for FNB Carrollton, and five other institutions located within their Assessment Area and surrounding community. We took an average since the bank's last CRA examination, which included 13 quarters of information. FNB of Carrollton's loan-to-deposit ratio ranked fifth out of the six banks used for comparison purposes. However, the bank's ratio has increased within the last year and is currently 60%.

Loan-to- Deposit Analysis		
Bank	Asset Size	Average LTD Ratio
FNB of Carrollton	\$32MM	52.43% (5)
Bank 21	\$54MM	75.49% (2)
Carroll County Trust Co.	\$62MM	49.00% (6)
Citizens Bank of Norborne	\$23MM	69.90% (3)
Citizens Bank & Trust of Chillicothe	\$461MM	69.82% (4)
Farmers & Merchants Bank of Hale	\$14MM	79.41% (1)

The national peer average, which uses similar sized banks from across the country, is 62.71%.

Community Development

FNB is participating in a Matching Fund program with area financial institutions to promote continued economic development in the Carrollton area. All six financial institutions have committed to contributing a total of \$20,000 to fund the Carrollton Area Economic Development office (CAED). The banks are acting as one unit and will match dollar for dollar all contributions received for Economic Development from other members and non-members in the area up to the \$20,000 total pledged. The pledge was developed to challenge community leaders and businesses to support the efforts of the CAED office. The money will be available for CAED officials to use as needed, to help promote a stronger economy. Funds coming from state, county, city, and political/public organizations are exempt from the matching program.

Compliance with Antidiscrimination Laws and Regulations

We reviewed ten various applicants for credit within the past six months to determine the bank's lending criteria. Based on the results of this examination, we did not find any evidence of disparate treatment or discrimination. The bank is in substantial compliance with all provisions of the antidiscrimination laws and regulations.

Response to Complaints

The bank has not received any complaints since the last CRA examination.