



INTERMEDIATE SMALL BANK

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

PUBLIC DISCLOSURE

April 30, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Third National Bank of Sedalia
Charter Number 2919**

**301 West Broadway
Sedalia, MO 65301**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103**

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: The Third National Bank of Sedalia (TNB) is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- TNB's distribution of loans to individuals of different income levels and to businesses and farms of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable penetration among the census tracts (CTs) in the assessment area (AA).
- Community development performance demonstrates adequate responsiveness to the needs of the AA through loans, qualified investments, and services.
- A majority of the bank's loans originated by TNB are to customers within its AA.
- The average loan-to-deposit ratio is reasonable given the bank's size, its financial condition, and the credit needs of its AA.

SCOPE OF THE EXAMINATION

This Performance Evaluation assesses TNB's record of meeting the credit needs of the communities in which it operates. We evaluated TNB under the Intermediate Small Bank performance criterion, which includes a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The community development test evaluates a bank's community development lending, qualified investments, and community development services activities.

- The evaluation period covers loans originated or purchased from January 1, 2005 through December 31, 2006, and community development activities from January 1, 2005 through April 30, 2007.
- TNB has one AA, which consists of all of Pettis County, Missouri.
- Conclusions regarding the bank's lending performance are based on TNB's primary loan products, which include residential mortgage, commercial, and agricultural loans.

- We conducted a data integrity review of the small business and small farm loans reported under the Community Reinvestment Act (CRA) for the years 2005 and 2006. We compared information from the bank's CRA Data Listing Report to the 40 loan files in our sample. We found the data to be accurate and reliable for use in this examination.
- TNB was not required to maintain Home Mortgage Disclosure Act (HMDA) data on its home mortgage loans. Thus, we reviewed a sample of 26 home mortgage loans originated during 2005 and 2006. We also reviewed internally generated mortgage reports for 2005 and 2006.

DESCRIPTION OF INSTITUTION

The Third National Bank of Sedalia is a \$274 million intrastate bank headquartered in Sedalia, Missouri. TNB has a main office, three branches, and a residential lending center, all located within the city limits of Sedalia. With the exception of accepting and processing loan applications, the three branches, which include drive-up facilities, offer most of the retail banking services that are offered at the main bank. The residential lending center offers lending services only, no deposits. TNB has a total of seven ATMs: four cash-dispensing ATMs located in the main bank, hospital, grocery store, and convenience store; and three depository ATMs located in the drive-up area of the branches. No branches were closed during this evaluation period. TNB has one AA, which includes all 11 CTs within Pettis County, Missouri.

TNB is wholly owned by Central Bancompany, Inc., a \$6.9 billion Missouri multi-bank holding company located in Jefferson City, Missouri. Central Bancompany owns a total of 16 banks, which are all located throughout Missouri, parts of Oklahoma and Kansas. None of the activities of any of the bank's affiliates were included in the evaluation of TNB's performance under the CRA.

TNB is a full-service lender offering various loan and deposit products. TNB offers home mortgage loans, consumer loans, and a full range of business and agricultural loans. TNB's three primary lending products are residential real estate, agricultural, and commercial loans. As of December 31, 2006, net loans and leases totaled \$182 million, represented 68% of total assets, and consisted of the following product types: commercial and commercial real estate loans (33%), residential real estate loans (21%), consumer loans (19%), agricultural and agricultural real estate loans (15%), and other loans (12%).

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its AA. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community. Tier 1 capital was reported at \$21 million as of December 31, 2006. The bank's previous CRA rating as of October 1, 2001 was Satisfactory.

DESCRIPTION OF PETTIS COUNTY AA

TNB's AA includes all 11 CTs in Pettis County. This area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

As of June 30, 2006, 100% of TNB's deposits were derived from this county. TNB's deposits in the AA total \$227 million. Based on FDIC deposit market share data as of June 30, 2006, this equates to 35% deposit market share, which ranks TNB as the largest deposit-taking institution in the AA.

The 2000 census data shows that the NonMSA Median Family Income for the State of Missouri was \$36,175. Based on this figure, the AA has one (9%) moderate-income CT, eight (73%) middle-income CTs, and two (18%) upper-income CTs. There are no low-income CTs in the AA.

The 2006 HUD Adjusted Median Family Income is \$44,800 for the 10,713 families in the AA. Based on this information, the AA has 16% low-, 18% moderate-, 24% middle-, and 42% upper-income families.

Based on the 2000 census data for the AA, the total population in the AA was 39,403, with 15% of the population age 65 and older, 16% of households in retirement, and 12% of households living below the poverty level.

In 2000, the median housing value for the AA was \$69,037 and the median age of the housing stock was 36 years. The majority of the housing within the AA is owner-occupied (67%). One-to-four family homes account for 95% of the local housing stock, with mobile homes and trailers accounting for 10%. Multifamily homes account for the remaining 5%. Vacant housing units account for 8%. Owner-occupied housing data shows that 5% of the units are in the moderate-income CT, 70% are in the middle-income CTs, and 25% are in the upper-income CTs.

In 2006, there were 2,924 businesses in this AA. The majority of the businesses in the AA, 1,692 (58%), have less than \$1 million in annual revenue; 4% report revenue greater than \$1 million; and the remaining 38% have unknown revenues. Of the businesses in this AA, 483 (17%) are located in the moderate-income CT, 1797 (61%) are located in the middle-income CTs, and 644 (22%) of the businesses are located in the upper-income CTs.

In 2006, there were 281 farms in this AA. Of the total farms, 277 (99%) have less than \$1 million in annual revenue. Six farms (2%) are located in the moderate-income CT, 168 (60%) are located in the middle-income CTs, and 107 (38%) are located in the upper-income CTs.

As of December 2006, the unemployment rate for the AA was 4.9% compared to 4.6% for the State of Missouri and 4.3% for the nation. The economic base in the AA is diversified. Major employers in the area include Tyson Foods, Inc., Bothwell Regional Health Center, Waterloo Industries, Wal-Mart Supercenter, Sedalia School District, State Fair Community College, and Hayes Lemmerz International.

There are eight financial institutions with seventeen banking offices in the AA. Major competitors include several smaller community banks along with one large bank with a national presence (US Bank NA) and one large regional bank (First Community Bank).

Three community contacts from the bank's AA were made during the evaluation. These contacts included representatives from several community service organizations. One contact believes that the introduction of Wal-Mart has attracted new chain businesses, such as Applebee's Restaurant. One contact noted more affordable home repair loans and homeownership programs are needed, and possibly for banks to provide staff time to assist in technical aspects of the homeownership program. Another contact noted needs in stable quality child-care and employment opportunities for the disabled. The third contact noted a rise in the demand for homeless shelters, utility assistance, and prescription assistance. There is a need for affordable housing. The contacts agreed that TNB always seems willing to participate in various small business programs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

TNB's performance is reasonable in meeting the credit needs of its AA, including those of low- and moderate-income people, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

- The distribution of loans to individuals of different income levels and to businesses and farms of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable penetration among the CTs in the AA.
- A majority of the loans originated by TNB are to customers within its AA.
- The average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

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

The bank's lending distribution to borrowers of different income levels and to businesses and farms of different revenue sizes is reasonable in light of the number of households below the poverty level, high unemployment rates, the relatively high population over age 65, and the number of households in retirement.

Mortgage Lending

Based on verified internal bank loan reports, TNB's lending to low- and moderate-income borrowers for home mortgage loans (16% and 44%, respectively), is excellent in comparison to the percentage of low- and moderate-income families in the AA (16% and 18%, respectively).

The data used to evaluate TNB's residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in Pettis County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage	15.55%	16%	18.06%	44%	24.56%	26%	41.83%	14%

Source: 2000 U.S. Census data and system generated loan reports for home mortgage loans originated during 2005 and 2006. Home purchase and refinance loans were treated as one homogenous group since available bank reports did not segregate product types.

Small Business Loans

Given the demographics of the AA, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. From the number of commercial loans originated by TNB, 66% were to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. The demographic data shows 58% of the businesses in the AA have annual gross revenues equal to or less than \$1 million.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA.

Borrower Distribution of Loans to Businesses in Pettis County				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	57.87%	3.90%	38.23%	100%
% of Bank Loans in AA by #	66.07%	32.44%	1.49%	100%
% of Bank Loans in AA by \$	63.24%	35.19%	1.57%	100%

Source: 2000 U.S. Census data and the bank's 2005 and 2006 CRA Data Listing Report.

Agricultural Lending

The distribution of agricultural loans reflects reasonable response to the credit needs of the AA. Of the agricultural loans TNB originated, 96% were to small farms. Small farms are farms with gross annual revenues of \$1 million or less. The demographic data shows 99% of the farms in the AA have annual gross revenues equal to or less than \$1 million.

The following table shows the distribution of agricultural loans among farms of different sizes within the AA.

Borrower Distribution of Loans to Farms in Pettis County				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.58%	0.36%	1.06%	100%
% of Bank Loans in AA by #	95.97%	1.79%	2.24%	100%
% of Bank Loans in AA by \$	93.03%	4.17%	2.80%	100%

Source: 2000 U.S. Census data and the bank's 2005 and 2006 CRA Data Listing Report.

Geographic Distribution of Loans

The geographic distribution of TNB's home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the AA.

Mortgage Lending

TNB's geographic distribution of residential lending reflects a reasonable level of penetration in CTs of different income levels. The level of home mortgage lending in moderate-income CTs (5%) compares favorably with the percentage of owner-occupied housing units in the moderate-income geographies. Moderate-income CTs contain only 543 owner-occupied units. There are no low-income CTs in the AA.

The following table shows the distribution of residential real estate loans among CTs of different income levels within the AA.

Geographic Distribution of Residential Real Estate Loans in Pettis County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage	NA	NA	4.81%	4.55%	69.64%	77.27%	25.55%	18.18%

Source: 2000 U.S. Census data and a sample of 26 home mortgage loans originated during 2005 and 2006. Home purchase and refinance loans were treated as one homogenous group since available bank reports did not segregate product types.

Commercial Lending

TNB's geographic distribution of commercial lending reflects reasonable penetration in the CTs of different income levels. Based on the commercial loans originated in the evaluation period, the percentage made in moderate-income CTs (15%) is similar to the level of commercial businesses located in these CTs (17%). Moderate-income CTs contain 483 commercial businesses.

The following table shows the distribution of commercial loans among CTs of different income levels within the AA.

Geographic Distribution of Loans to Businesses in Pettis County								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	NA	NA	16.52%	14.81%	61.46%	68.75%	22.02%	16.44%

Source: 2000 U.S. Census data and the bank's 2005 and 2006 CRA Data Listing Report.

Agricultural Lending

TNB's geographic distribution of farm lending reflects an adequate dispersion in CTs of different income levels. While there were no farm loans made in moderate-income geographies compared to the 2% of farms located in these CTs, there are only six farms located in the moderate-income geographies of this AA.

The following table shows the distribution of agricultural loans among CTs of different income levels within the AA.

Geographic Distribution of Loans to Farms in Pettis County								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	NA	NA	2.14%	0%	59.78%	48.32%	38.08%	51.68%

Source: 2000 U.S. Census data and the bank's 2005 and 2006 CRA Data Listing Report.

Lending in the Assessment Area

The majority of loans and other lending-related activities were originated in the bank's AA. Based on a sample of residential real estate and small business/small farm loans made in 2005 and 2006, 79% of these loans were made within the bank's AA.

Loan-to-Deposit Ratio

TNB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2006, the bank's LTD ratio was 75%. TNB's quarterly average LTD ratio since the October 2001 CRA examination was 74%. This compares well to four similarly situated banks in the AA whose quarterly average LTD ratios ranged from 51% to 89%. TNB's LTD ratio is higher than two of the similarly situated banks and lower than the other two. These four banks are considered similarly situated because they are similar in size and location: total assets range from \$22 million to \$158 million, and all but one bank are located in Sedalia.

Responses to Complaints

TNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

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.

COMMUNITY DEVELOPMENT TEST

TNB's community development (CD) performance demonstrates adequate responsiveness to the needs of its AA through loans, qualified investments, and services.

Community Development Loans

CD lending is adequate. We focused on 2005 and 2006 information but also reviewed reports since the previous examination. We concluded that the bank has had an ongoing commitment to community development. TNB has 26 qualifying CD loans totaling \$6,579,986 originated during the evaluation period of 2005 and 2006. A summary of the more significant loans are detailed below.

- TNB originated a \$2,500,000 loan to construct an addition to a local business. This loan allows the company to remain competitive and create and retain jobs for low- and moderate-income individuals.
- TNB originated three loans totaling \$1,215,000 for financing improvements to a mobile home park located in a moderate tract, thereby revitalizing and stabilizing the surrounding area.
- TNB originated a \$694,162 loan to purchase and operate a convenience store creating jobs for low- and moderate-income individuals.
- TNB originated two loans totaling \$287,000 to purchase several 1-4 family rental units. The housing units are available to Section 8 housing renters, thereby promoting revitalization and stabilization of the surrounding geographies.

The bank originated 15 additional CD loans totaling \$6 million to a local developer headquartered in Columbia, Missouri. This funding was used by the developer to support the development of affordable housing projects throughout the State of Missouri. While these loans were not for projects located in Pettis County, they have the potential to benefit TNB's AA. These projects receive state and federal low-income housing tax credits.

Qualified Investments

TNB's qualified investments and donations totaled \$135,000 and are considered adequate. TNB's investments and donations to CD organizations assist low- and moderate-income individuals and families within the AA and help revitalize and stabilize enterprise zone areas.

Of the \$135,000 in total donations, TNB has made contributions of \$114,700 to thirteen community service organizations assisting low- and moderate-income individuals and families within the AA. Specifically, during the evaluation period, TNB contributed \$12,000 to the Center for Human Services, \$11,000 to the Central Missouri Food Bank, \$8,000 to the United Way, and \$3,000 to Habitat for Humanity. TNB made contributions of \$8,000 to two community service organizations that provide affordable housing for low- and moderate-income families. TNB also made a \$6,000 contribution to an organization that promotes community and economic development.

Service Test

Retail Banking Services

TNB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. TNB has 50% of its branches in the moderate-income CT; this percentage significantly exceeds the percentage of the population in this CT (7%). Branch hours offer reasonable access and convenience. TNB has a total of seven ATMs: three depository ATMs located in each of the bank facilities except for the main bank, and four cash-dispensing ATMs located in the main bank, hospital, grocery store, and convenience store. TNB's ATM network offers an alternative delivery system for providing retail banking services to low- and moderate-income individuals and in low- and moderate-income geographies. Extended hours are available with either the lobby or drive-up locations open on Saturdays and open longer on Fridays. All the bank's loan and deposit products are available at all branch locations except at the residential lending center, which does not accept deposits.

The bank offers 24-hour account access for its customers through its telephone banking and Internet banking products. These products allow customers to check balances, transfer funds, and make loan payments.

Community Development Services

TNB provides an adequate level of CD services based on the capacity of the bank, and on the needs and availability of opportunities in the AA. During this evaluation period, employees of the bank were involved in, and provided financial services to, several organizations that have a CD purpose. Services target low- and moderate-income individuals and the Sedalia Enterprise Zone, which focuses on revitalization and attracting the investment necessary for sustainable economic and community development.

Specific services include:

1. Serving as finance committee members to organizations that provide community services and affordable housing to low- and moderate-income individuals.
2. Serving as ambassador, helping and approving budgets and finances, to an organization that helps bring jobs and economic growth to the area in order to have more jobs available for low- and moderate-income individuals.
3. Serving as treasurer approving the budget of an affordable housing organization.
4. Serving as treasurer on the school district board, helping provide the best public education possible for a district with over 50% of the students on free or reduced lunch programs.
5. Helping with fundraisers for organizations that help underprivileged children and serve low- and moderate-income families.
6. Speaking to welfare recipients about budgets and setting up bank accounts.