



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 6, 2011

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: Outstanding.

- 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 dispersion throughout the assessment area (AA).
- Community development performance demonstrates excellent 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 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 criteria, which include 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, 2008 through March 31, 2011, and community development activities from April 30, 2007 through June 6, 2011.
- 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: residential mortgage, commercial, and agricultural loans.
- TNB is not required to maintain Community Reinvestment Act (CRA) data of the small business and small farm loans reported under the CRA. We sampled fifty small

business/small farm loans originated during 2008, 2009, 2010 and the first quarter of 2011. We also reviewed internally generated loan reports.

- TNB was not required to maintain Home Mortgage Disclosure Act data on its residential real estate loans. Thus, we reviewed a sample of 50 home mortgage loans originated during 2008, 2009, 2010 and the first quarter of 2011. We also reviewed internally generated home mortgage reports for the above listed years.

Description of Institution

The Third National Bank of Sedalia is a \$310 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. The main office and one branch office (50% of total offices) are located in the moderate-income census tract (CT), CT 9809. 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 at the Hospital, Woods Supermarket, and Bings grocery stores (east and west); and three depository ATMs located at each of the branch offices. 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 9.6 billion multi-bank holding company located in Jefferson City, Missouri. Central Bancompany owns a total of 13 banks located throughout Missouri and parts of Oklahoma, with some branch offices of TNB's affiliates situated in Kansas and Illinois. No activities of bank 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 March 31, 2011, net loans and leases total \$183 million, represent 59% of total assets, and consist of the following product types: commercial and commercial real estate loans (33%), residential real estate loans (28%), agricultural and agricultural real estate loans (20%), consumer loans (18%), and other loans (1%).

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 is reported at \$21 million as of March 31, 2011. The bank's previous CRA rating, as of April 30, 2007, was Satisfactory.

Description of Assessment Area

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

Based on FDIC deposit market share data as of June 30, 2010, TNB's deposits in the AA total \$276 million. All of TNB's deposits are derived from Pettis County. With a 37% deposit market share, TNB ranks as the largest deposit-taking institution in the AA.

The 2000 census data shows that the non-Metropolitan Statistical Area (non-MSA) Median Family Income for the State of Missouri was \$35,821. The 2010 Median Family Income, as adjusted by the Department of Housing and Urban Development, is \$45,700.

Based on the 2000 income data, the AA has one moderate-income CT (9%), eight middle-income CTs (73%), and two upper-income CTs (18%). There are no low-income CTs in 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 10% of families living below the poverty level. Based on the 10,713 families in the AA in 2000, 16% are considered low-, 18% moderate-, 25% middle-, and 41% upper-income.

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 85% of the local housing stock, with mobile homes and trailers accounting for 10%. Multifamily homes make up the remaining 5%. Eight percent of the housing units are vacant. 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 2010, there were 2,734 businesses in this AA. The majority of the businesses in the AA, 2,100 (77%), have less than \$1 million in annual revenue; 98 (4%) report revenue greater than \$1 million; and the remaining 536 (19%) have unknown revenues. Of the businesses in this AA, 387 (14%) are located in the moderate-income CT, 1739 (64%) in the middle-income CTs, and 608 (22%) in the upper-income CTs.

In 2010, there were 276 farms in this AA. Of the total farms, 275 (99.5%) have less than \$1 million in annual revenue. Seven farms (3%) are located in the moderate-income CT, 159 (57%) in the middle-income CTs, and 110 (40%) in the upper-income CTs.

As of April 2010, the unemployment rate for Pettis County was 7.4%, lower than the State of Missouri (8.9%) and the nation (9.1%). 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 and one large regional bank.

TNB offers small business credit cards to small businesses to help with day-to-day expenses. They also have several special loan programs for their community. Two of these are the United States Department of Agriculture (USDA) Home Loan program and the Farmers Service Administration (FSA) loan guarantee program for the Small Farms in the AA.

One contact with a local community service organization was made during the evaluation. The contact stated there was a need for financial education to keep individuals in the community from using payday lenders and teach them how to manage their finances. The contact also noted there is a need for affordable housing. The contact noted that TNB is willing to participate in various small business programs.

Conclusions with Respect to Performance Tests

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 dispersion throughout the AA.
- A majority of the loans originated by TNB are to customers within its AA.
- The average loan-to-deposit ratio is reasonable.

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 families below the poverty level, current unemployment rates, the relatively high population over age 65, and the number of households in retirement.

Mortgage Lending

TNB's lending to low-income borrowers is low compared to the percentage of low-income families in the AA. However, 10% of families live below the poverty level, limiting their ability to obtain financing for home mortgage loans. The percentage of loans to moderate-income borrowers is excellent in comparison to the percentage of moderate-income families in the AA. The data used to evaluate TNB's residential mortgage loans 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% | 9.09% | 18.06% | 18.18% | 24.56% | 27.27% | 41.83% | 45.46% |

Source: 2000 U.S. Census data and a sample of home mortgage loans originated during 2008, 2009, 2010 and the first quarter of 2011.

Commercial Lending

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, 72% were to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. The demographic data shows 77% 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 | 76.81% | 3.58% | 19.61% | 100% |
| % of Bank Loans in AA by # | 72.22% | 27.78% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 76.33% | 23.67% | 0.00% | 100% |

Source: 2000 U.S. Census data and a sample of business loans originated during 2008, 2009, 2010 and the first quarter of 2011.

Agricultural Lending

The distribution of agricultural loans reflects excellent response to the credit needs of the AA. Of the agricultural loans TNB originated, 100% 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 | 99.64% | 0.36% | 0.00% | 100% |
| % of Bank Loans in AA by # | 100.00% | 0.00% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 100.00% | 0.00% | 0.00% | 100% |

Source: 2000 U.S. Census data and a sample of farm loans originated during 2008, 2009, 2010 and the first quarter of 2011.

Geographic Distribution of Loans

The geographic distribution of TNB’s home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the AA. Our analysis reflects that TNB is lending in all CTs.

Mortgage Lending

TNB’s geographic distribution of home mortgage lending reflects an excellent level of penetration in CTs of different income levels. The level of home mortgage lending in the moderate-income CT (4.5%) meets the percentage of owner-occupied housing units in the moderate-income geography. The moderate-income CT contains only 543 owner-occupied units. There are no low-income CTs in the AA. TNB’s geographic distribution of residential home mortgage lending is reflected in the following table.

| 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% | 79.55% | 25.55% | 15.90% |

Source: 2000 U.S. Census data and a sample of home mortgage loans originated during 2008, 2009, 2010 and the first quarter of 2011.

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 the moderate-income CT (11%) is slightly lower than the level of commercial businesses located in this CT (14%). The moderate-income CT contains 387 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 | 14.16% | 11.11% | 63.60% | 66.67% | 22.24% | 22.22% |

Source: 2000 U.S. Census data and a sample of business loans originated during 2008, 2009, 2010 and the first quarter of 2011.

Agricultural Lending

TNB's geographic distribution of farm lending reflects a reasonable dispersion in CTs of different income levels. There were no farm loans made in the moderate-income geography compared to the 3% of farms located in this CT; however, there are only seven farms located in the moderate-income geography of this AA, limiting lending opportunities. 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 | 2.54% | 0.00% | 57.61% | 53.33% | 39.85% | 46.67% |

Source: 2000 U.S. Census data and a sample of farm loans originated during 2008, 2009, 2010 and the first quarter of 2011.

Lending in the Assessment Area

The majority of loans were originated inside the bank's AA. Based on a sample of residential real estate, small business, and small farm loans made in 2008, 2009, 2010 and the first quarter of 2011, 79% by number and 74% by dollar volume 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 March 31, 2011, the bank's LTD ratio was 65%. TNB's quarterly average LTD ratio since the April 2007 CRA examination was 72%. This compares well to three similarly situated banks in the AA whose quarterly average LTD ratios ranged from 54% to 98%. TNB's LTD ratio is higher than one of the similarly situated banks and lower than the other two. These three banks are considered similarly situated because they are similar in size and location: total assets range from \$81 million to \$274 million, and all 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.

COMMUNITY DEVELOPMENT TEST

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

Number and Amount of Community Development Loans

CD lending is adequate. We focused on 2008, 2009, 2010 and first quarter 2011 information but also reviewed reports since the previous examination. We concluded that the bank has had an ongoing commitment to community development. TNB has 45 qualifying CD loans totaling \$11,296,278 originated during the evaluation period. A summary of the more significant loans is detailed below.

- TNB originated two loans totaling \$2.6 million for expansion of a business to include construction of a warehouse and job creation.
- TNB originated a \$557,300 loan to construct a new community building for residents of a Senior Housing and Retirement community.
- TNB originated two loans totaling \$315,000 to purchase several 1-4 family rental units. The housing units are available to Section 8 housing renters, thereby promoting affordable housing in the community.

Number and Amount of Qualified Investments

TNB's qualified investments of \$4,150,000 and donations of \$141,714 are considered excellent. 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.

TNB participates in school bonds assisting the Sedalia School District and in FEMA Bonds that assist in building new homes in the area. TNB also invested in the Missouri State Fair Community College to assist the school in building additional classrooms, and in the Missouri Housing Association that provides affordable housing to low- and moderate-income borrowers in the community.

Of the \$141,714 in total donations made by TNB, \$116,046 were to 39 community service organizations assisting low- and moderate-income individuals and families within the AA. Specifically, during the evaluation period, TNB contributed \$30,000 to Bothwell Regional Foundation (Medical Care), \$21,285 to the Center for Human Services, \$7,586 to Habitat for Humanity, \$6,200 to the Central Missouri Food Bank, and \$6,085 to the United Way. TNB made contributions of \$7,700 to three community service organizations that provide affordable housing for low- and moderate-income families. TNB also made a \$8,400 contribution to two organizations that promote community and economic development.

Extent to Which the Bank Provides 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 to sustain 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 board member, 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 of an affordable housing organization.
4. Serving as vice president, assisting in fundraising and financial decisions of an organization that removes children from abusive situations to a safe environment.
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.

Responsiveness to Community Development Needs

The bank's performance under the CD Test shows an excellent level of responsiveness to meeting community development needs of the AA through CD loans, investments, and services. TNB also continues to demonstrate its responsiveness to CD needs by offering a network of services geographically accessible throughout the AA.

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.