

PUBLIC DISCLOSURE

August 9, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Osage Valley Bank
Certificate Number: 1952**

**200 Main Street
Warsaw, Missouri 65355**

Federal Deposit Insurance Corporation

**2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108**

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.

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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 Community Reinvestment Act (CRA) performance of **Osage Valley Bank, Warsaw, Missouri**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **August 9, 2004**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Osage Valley Bank's overall performance is reasonable in relation to the small bank performance criteria as discussed below.

- The bank's average net loan-to-deposit (LTD) ratio, which is a key measure of the bank's overall level of lending, is reasonable given the institution's asset size and the credit needs of the assessment area (AA). The bank's net LTD ratio has averaged 58 percent since September 30, 1998. This ratio is also reasonable in comparison to the average net LTD ratio of two similarly-situated institutions located in the bank's AA.
- All of the loans reviewed by regulatory personnel were originated within the AA, illustrating the bank's commitment to meeting the credit needs of the AA. Examiners reviewed residential real estate loans, the bank's primary lending product and the focus of the bank's lending activity. The bank's performance under this criterion is considered more than reasonable.
- Overall, the bank's geographic distribution of lending reflects a more than reasonable dispersion throughout the AA. The bank's residential real estate lending was evaluated based on 2000 Census boundaries, which included two moderate-income census tracts (CTs), ten middle-income CTs, and one upper-income CT.
- Given the demographics of the AA, the bank's overall loan distribution within its AA by borrower income reflects reasonable penetration among individuals of different income levels. The bank's residential real estate lending percentages to low- and moderate-income borrowers within the bank's AA is reasonable in relation to the percentages of low- and moderate-income families residing within the bank's AA, according to 2000 Census data.
- The bank's investments and services were reviewed and when considered with other activity, were not sufficient to warrant assigning the bank a rating of "Outstanding."
- Osage Valley Bank has not received any CRA-related complaints since the previous CRA Performance Evaluation on September 8, 1998.

DESCRIPTION OF INSTITUTION

Osage Valley Bank is a financial institution with \$89,516,000 in total assets, as of March 31, 2004. Exchange National Bancshares, Inc., Jefferson City, Missouri, controls the bank via its 100 percent ownership of Mid-Central Bancorp, Inc., Warsaw, Missouri, which owns 100 percent of Osage Valley Bank. Affiliate banks include Exchange National Bank, Jefferson City, Missouri, and Citizens Union State Bank and Trust, Clinton, Missouri.

Osage Valley Bank's main office and branch are located in Warsaw, Missouri. The main office offers full lending and deposit services, while the branch office offers drive-up banking and a full service automated teller machine (ATM). The bank offers cash-dispensing ATMs at Casey's General Store, Newman's Country Store, Temp Stop, Wal-Mart Super Center, and R-Corner Convenience Store. The R-Corner ATM was installed in 2003, and is located in a moderate-income CT. All other ATMs are in middle-income CTs.

Osage Valley Bank offers various types of credit, including agricultural, commercial, consumer, and residential real estate loans. As of March 31, 2004, the bank's Report of Condition reflected net loans of \$44,723,000 and total deposits of \$73,613,000, resulting in a net LTD ratio of 61 percent. Table 1 on the following page depicts the bank's loan mix and shows a strong residential real estate lending focus. Residential real estate loans (including first and second lien closed-end loans secured by 1-4 family residential properties) represent 72 percent of the loan portfolio. Commercial loans (including loans secured by nonfarm nonresidential properties and commercial and industrial loans) account for 20 percent of the portfolio. The remaining 8 percent of the portfolio includes consumer, construction, and agricultural loans. These percentages are based on the dollar volume of the outstanding portfolio as of March 31, 2004. Since residential real estate loans make up the bulk of the loan portfolio and is the focus of the bank's lending efforts, examination personnel concentrated on this product for evaluation purposes.

Table 1 – Loan Distribution		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	\$1,371	3%
Secured by Farmland	\$140	(less than 1%)
1-4 Family Residential	\$32,583	72%
Commercial	\$4,704	11%
Total Real Estate Loans	\$38,798	86%
Agricultural	\$197	(less than 1%)
Commercial and Industrial	\$4,200	9%
Consumer	\$2,100	5%
Less: Unearned Income	\$97	(less than 1%)
Total Loans	\$45,198	100%

Source: Report of Condition (03/31/04)

Aside from statutory lending limits, the institution is not subject to any financial or legal impediments that would restrict its ability to meet the credit needs of its AA. Osage Valley Bank offers credit and deposit services that are consistent with its size and resources.

A review of FDIC records and the bank's CRA Public File did not reveal any complaints relating to the bank's CRA performance since the previous CRA Performance Evaluation. Osage Valley Bank received a CRA rating of "Outstanding" at the September 8, 1998, CRA Performance Evaluation.

DESCRIPTION OF THE ASSESSMENT AREA (AA)

The Community Reinvestment Act of 1977, as amended, requires banks to identify one or more AAs within which its regulatory agency will evaluate the bank's performance. The area(s) defined by the bank must include its main office, branches, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. The AA must always consist of one or more whole geographies. These geographies are identified as census tracts (CTs). These CTs represent statistical subdivisions of a county.

How Median Family Income Is Used Throughout This Analysis:

The 2000 Median Family Income (MFI) for non-metropolitan areas in Missouri was \$37,400. This income figure is used to determine the income level, based on the 2000 Census, for those geographies located outside of metropolitan areas in Missouri. Based on estimates by the Department of Housing and Urban Development (HUD), the 2003 and 2004 adjusted MFI figures for non-metropolitan areas in Missouri are \$43,000, and \$44,400, respectively. These adjusted MFI figures will be used to determine the income level of the borrowers in conjunction with Criterion 4 (Borrower Profile Analysis).

Definition of Income Groups :

<i>Low-income -</i>	Less than 50 percent of the MFI for non-metropolitan areas in Missouri.
<i>Moderate-income -</i>	50 percent to less than 80 percent of the MFI for non-metropolitan areas in Missouri.
<i>Middle-income -</i>	80 percent to less than 120 percent of the MFI for non-metropolitan areas in Missouri.
<i>Upper-income -</i>	120 percent or higher of the MFI for non-metropolitan areas in Missouri.

Osage Valley Bank's designated AA has expanded since the previous evaluation when the AA consisted of the southern portion of Benton County. The AA now includes all of Benton County, the southern portion of Pettis County, and the eastern and southern portion of Henry County, all in Missouri. This contiguous AA consists of two moderate-income CTs, ten middle-income CTs, and one upper-income CT based on 2000 Census data. The two moderate-income CTs are located in southeastern Benton County. The bank's two offices are located in middle-income CT 9603 in Benton County. The two moderate-income CTs are in close proximity to the CT where the bank's offices are located. The bank's AA does not arbitrarily exclude any low- or moderate-income CTs and its AA is in compliance with the CRA regulation.

According to the 2000 Census data, the population of the AA is 44,379. Benton County includes the cities of Warsaw, Cole Camp, and Lincoln with populations of 2,070, 1,028, and 1,026, respectively. The largest city in the AA is Clinton in Henry County, with a population of 9,311. Warsaw's economy is primarily dependent on tourism from the Truman Lake recreation area. The top employers in the Warsaw area are Leason Manufacturing, employing 270; the school district, employing 150; Wal-Mart Super Center, employing 120; Hilty Quarry, employing 100; and the Corp of Engineers, employing 55. Many area residents travel to Sedalia, Clinton, and the south part of Kansas City for employment. The unemployment rate for Benton, Pettis, and Henry Counties, as of June 2004, was 5.4 percent, 5.7 percent, and 6.4 percent, respectively. These numbers are slightly higher than Missouri's average statewide unemployment rate of 5.2 percent for the same time period.

During the evaluation, regulatory personnel interviewed an individual knowledgeable about the general economy and credit needs of the bank’s AA. The individual contacted categorized the general economy in Benton County as improving. This contact stated that the lending institutions in the AA offer a variety of residential real estate, agricultural, commercial, and consumer loan products that meet the credit needs of the county. This individual commented that banks in the AA offer special programs to help first-time homebuyers. Further, this individual was unaware of any unmet lending or community development opportunities. This contact specifically mentioned Osage Valley Bank as being particularly helpful in making loans.

According to 2000 Census data, the housing stock in the AA totals 24,861 units, with owner-occupied homes comprising 58 percent, rental units comprising 16 percent, and vacant units comprising 26 percent. The median home value in the AA in 2000 was \$66,848, and the median age of homes was 29 years, with the median gross rent level at \$384 per month.

According to 2000 Census data, the bank’s AA has 18,443 households, of which 12,981 are families. As shown in Table 2 below, these families are stratified as follows: 19 percent are low-income, 20 percent are moderate-income, 24 percent are middle-income, and 37 percent are upper-income. This stratification of AA families by income level will be used to evaluate the bank’s lending to individuals of different income levels under Criterion 4 (Borrower Profile Analysis).

Table 2 – Assessment Area Stratification of Families by Income Level				
Income Category	Number of Families	Percentage of Families	Non-Metro Missouri Income Ranges	
			2003	2004
Low	2,447	19%	Below \$21,500	Below \$22,200
Moderate	2,581	20%	\$21,500 - \$34,399	\$22,200 - \$35,519
Middle	3,090	24%	\$34,400 - \$51,599	\$35,520 - \$53,279
Upper	4,863	37%	\$51,600 & above	\$53,280 & above
Total	12,981	100%		

Source: U.S. Census (2000) and HUD adjusted median family income information

According to 2000 Census data, 12 percent of the families in the AA had income below the poverty level. “Poverty level” is an established dollar amount rather than a percentage-based calculation of the MFI. The 2000 Census derived the number of families living below the poverty level from the 1999 threshold, which was \$17,029 for a family of four. The U.S. Department of Health and Human Services lists the poverty level threshold in 2002 for a family of four as \$18,392. This figure is determined on a national basis and is not adjusted regionally.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Criterion 1: Loan-to-Deposit Ratio

Osage Valley Bank's average net LTD ratio of 58 percent is reasonable given the institution's asset size and the credit needs of the AA. Additionally, the bank's average net LTD ratio compares reasonably to the average net LTD ratios of two "similarly-situated lenders." When available and relevant, the lending performance of similarly-situated lenders serves as an additional method of assessing the adequacy of a bank's average net LTD ratio. Similarly-situated lenders are defined as financial institutions that are located in or near the AA and are the most comparable to the subject bank based on asset size, market served, product offerings, and loan portfolio composition.

Table 3 below depicts the average net LTD ratios for Osage Valley Bank and two similarly-situated lenders which are listed alphabetically by community. The ratios in Table 3 were calculated based on Reports of Condition for the 23 quarters ending September 30, 1998 through March 31, 2004. The bank's net LTD ratio has ranged from a low of 52 percent, as of September 30, 2000, to a high of 63 percent, as of June 30, 2002. During this time period, net loans ranged from a low of \$22,472,000 on March 31, 1998, to a high of \$45,079,000 on December 31, 2003. Also during this time period, deposits have ranged from a low of \$41,299 on September 30, 1998, to a high of \$74,415,000 on December 31, 2003.

Table 3 – Data on Similarly Situated Institutions		
Institution	Total Assets (000s)*	Average Net LTD Ratio
Farmers Bank of Lincoln Lincoln, Missouri	\$70,027	69%
Osage Valley Bank Warsaw, Missouri	\$89,516	58%
UMB Bank Warsaw, Missouri	\$83,662	38%

*Report of Condition (03/31/04)

In addition to these similarly-situated institutions, the bank's strongest competition for loans is from a branch of First Community Bank, Lees Summit, Missouri. This branch was opened since the previous CRA Evaluation on September 8, 1998. Another source of competition for home loans is internet lenders, according to management of Osage Valley Bank.

Loan Review Procedures for Performance Criteria 2, 3, and 4

Conclusions for Performance Criterion 2 (Assessment Area Concentration), Criterion 3 (Geographic Distribution Analysis), and Criterion 4 (Borrower Profile Analysis) are primarily based on regulatory personnel review of samples of residential real estate loans originated by the bank between August 4, 2003, and August 4, 2004. The analysis focused on residential real estate loans since they represent a majority (72 percent) of the bank's loan portfolio based on dollar volume, as of March 31, 2004. In addition, an analysis of these loan products will likely provide the most meaningful insight into the bank's CRA performance because of the availability of pertinent demographic data. Examples of this demographic data include the percentages of owner-occupied housing units in the AA by CT and the stratification of families in the AA based on annual income. The analysis of this loan product was conducted within the context of the AA's economy, credit needs, and competition among financial institutions. Consumer, agricultural, and commercial loans were not reviewed during this evaluation since they are not specifically emphasized by the bank's business strategy.

For Criterion 3 (Geographic Distribution Analysis), particular focus was given to the dispersion of the loans reviewed in relation to the two moderate-income CTs in the AA. For Criterion 4 (Borrower Profile Analysis), particular focus was given to lending to low- and moderate-income borrowers in the AA. For an explanation of how the income designation of a particular CT and of individual borrowers is determined, refer to the discussions entitled *How Median Family Income is Used Throughout This Analysis* and *Definition of Income Groups* on page 5 of this evaluation.

The residential real estate loan sample consisted of 35 loans totaling \$2,307,000. This sample was selected from a universe of 160 residential real estate loans, totaling \$11,251,000, originated between August 4, 2003, and August 4, 2004.

In drawing conclusions under Criteria 3 and 4, the analysis of lending activity based on the number of loans, rather than on the dollar volume, is emphasized, as this analysis more clearly represents the bank's lending efforts. Generally, loans to lower-income individuals are for smaller dollar amounts than loans to higher-income individuals. Therefore, an analysis using the dollar volume of loans would not provide a representative picture of the bank's lending efforts.

Criterion 2: Assessment Area Concentration

Osage Valley Bank's overall performance regarding lending within its AA is considered more than reasonable. The bank's performance was evaluated through regulatory personnel review of the residential real estate loan sample previously discussed. All 35 loans in the sample were originated within the AA, illustrating the bank's commitment to meeting the credit needs of the AA.

Criterion 3: Geographic Distribution Analysis

Overall, the bank's geographic distribution of residential real estate lending reflects a more than reasonable dispersion throughout the AA. This conclusion was based on the geographic distribution of the residential real estate loans reviewed that were originated within the bank's AA.

Table 4 below, illustrates the geographic distribution by CT income level of the bank's residential real estate lending, by both number and dollar volume, for the sampled loans. For comparison, the distribution of the AA's owner-occupied housing units for each CT income level is also shown in Table 4.

Table 4 – Distribution of Residential Real Estate Loans by Census Tract Income Category					
Census Tract Income Category	% of Total Owner-Occupied Housing Units	Number of Loans		Dollar Volume of Loans (000's)	
		#	%	\$	%
Moderate	15%	12	34%	\$912	40%
Middle	77%	22	63%	\$1,275	55%
Upper	8%	1	3%	\$120	5%
Total	100%	35	100%	\$2,307	100%

Source: Bank records, and U.S. Census (2000)

The bank's residential real estate lending percentage in the moderate-income CTs (34 percent based on the number of loans, and 40 percent based on dollar volume) substantially exceeds the percentage of total owner-occupied housing units in the moderate-income CTs (15 percent) and is considered more than reasonable.

Criterion 4: Borrower Profile Analysis

Given the demographics of the AA, the bank's residential real estate lending reflects reasonable penetration among individuals of different income levels. The bank's lending performance was evaluated through further review of the loans from the residential real estate loan sample. Table 5 on the following page, reports the distribution of the bank's residential real estate loans sampled by borrower income compared to the distribution of families within the AA.¹

¹ The loan distribution is determined by comparing the borrower's income for a given year to HUD's adjusted MFI for that same year for the non-metropolitan areas in Missouri. For example, the baseline for CTs in non-metropolitan areas in Missouri was \$43,000 in 2003. As previously discussed on page 5, percentages of this baseline figure are then used to determine which income levels are low-, moderate-, middle-, and upper-income. For example, a borrower with an income of less than \$21,500 in 2003 would be considered low-income in the bank's AA, and a borrower with an income between \$21,500 and \$34,399 would be considered moderate-income. The distribution of families in the AA by income level based on 2000 Census data was outlined in Table 2 and this same information is repeated within Table 5.

Table 5 – Residential Lending to Borrowers of Different Income Levels					
Borrower Income Level	Families by Income (% of # of families)	Bank Lending Data			
		#	%	\$ (000s)	%
Low	19%	3	9%	\$175	8%
Moderate	20%	6	17%	\$426	18%
Middle	24%	8	23%	\$465	20%
Upper	37%	18	51%	\$1,241	54%
Total	100%	35	100%	\$2,307	100%

Source: Bank records and U.S. Census (2000)

The bank’s lending percentage to low-income borrowers (9 percent based on the number of loans) is significantly less than the percentage of low-income families residing in the AA (19 percent), according to 2000 Census data. However, the level of residential real estate lending to low-income borrowers relative to the percentage of low-income families residing in the AA is not necessarily expected to be a one-to-one ratio, as the costs of buying and maintaining a home are generally more prohibitive for low-income borrowers. It is also noted that a member of the local community interviewed by examiners indicated the average selling price of a home in 2003 in the AA was \$65,000. Given this price, a low-income individual may have difficulty purchasing a home. The bank’s lending percentage to moderate-income borrowers based on the number of loans (17 percent) is slightly less than the percentage of moderate-income families residing in the AA (20 percent), according to 2000 Census data. Despite these lower numbers, the bank’s lending performance is considered reasonable.

Criterion 5: Responses to CRA-Related Complaints

Osage Valley Bank has not received any CRA-related complaints since the previous CRA Evaluation on September 8, 1998.

Investments and Services

Investments and services were reviewed at this evaluation; however, it was determined that the level of activity was not sufficient for an “Outstanding” rating. The following qualified investments and services were noted:

Investments

Osage Valley Bank is active in its AA and invests in and provides services to its community. The bank has purchased five bonds totaling \$465,000 from the R-9 School District. This school district has two schools in the moderate-income tracts of Benton County, and one elementary school in the City of

Warsaw. No other investments are significant or qualify as an investment under CRA regulations.

Services

Two management officials of the bank serve as officers for the Habitat for Humanity in Warsaw. These two officers have provided their expertise in writing home loan grants to build houses for low-income families in distressed neighborhoods. A senior management official of the bank also serves on the board and is treasurer of the Benton County Community Development Corporation. The objective of this corporation is to provide employment for area residents by starting up businesses.

The bank offers an “Economy Account” to individuals who receive the following benefits by direct deposit: Social Security, Supplemental Social Security Income, government retirement, veteran distributions, or Missouri Department of Social Services. The account is a no cost checking account.

Osage Valley Bank’s ATMs are certified to accept the Missouri QUEST Electronic Benefits Transfer card. This service allows recipients of Temporary Aid to Needy Families, who do not have a deposit relationship with a bank, to access benefits through QUEST certified ATMs.

Since the previous evaluation, the bank installed an ATM at the R-Corner Store, which is in moderate-income CT 9608.

Compliance with Fair Lending Laws

No violations of the substantive provisions of antidiscrimination laws or regulations were identified during this CRA evaluation.