

PUBLIC DISCLOSURE

April 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Town & Country Bank
Certificate Number: 13071**

**1009 East Highway 32
Salem, Missouri 65560**

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 **Town & Country Bank, Salem, Missouri**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **April 7, 2008**. 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 the 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'S CRA RATING: This institution is rated Satisfactory.

Town & Country Bank, Salem, Missouri was evaluated for the first time using the Intermediate Small Institution Examination Procedures. The bank's overall performance is reasonable in relation to the intermediate small institution performance criteria and the bank demonstrates satisfactory responsiveness to the credit needs of its assessment area based on the following findings:

The Lending Test is rated: Satisfactory.

- Town & Country Bank's average net loan-to-deposit ratio, which is a key measure of the bank's overall level of lending, is reasonable given the institution's asset size, financial condition, and assessment area credit needs. The ratio for Town & Country Bank has averaged 86 percent for the 23 quarters from June 30, 2002 to December 31, 2007.
- A majority of the loans sampled were made within the assessment area, illustrating a commitment to meeting the credit needs of the local community. Examiners reviewed a sample of residential real estate, small business, and small farm loans since they represent a significant majority of the bank's outstanding loan portfolio and are the bank's primary lending focus. During the review period selected for these three loan categories, 82 percent of the number and 85 percent of the dollar volume of loans in the sample were originated within the assessment area.
- The bank's overall geographic distribution of lending also reflects a reasonable dispersion throughout the assessment area. The loan distribution also appears reasonable when considering the bank's office locations and the demographic composition of the assessment area.
- Given the demographics of the assessment area, loan samples reveal a reasonable lending performance regarding individuals of different income levels (including low- and moderate-income individuals) and a reasonable lending penetration among businesses and farm operations of different sizes (including small businesses and small farms).

The Community Development Test is rated: Satisfactory.

- Town & Country Bank's performance demonstrates adequate responsiveness to assessment area community development needs through community development loans, qualified investments, and community development services. Since the June 3, 2002 CRA evaluation, the bank originated 104 community development loans totaling \$18,936,000 and has 87 qualified investments totaling \$785,000. In addition, bank employees or officers have devoted time and lent technical expertise to an adequate number of community development services since the previous evaluation.

In addition to the Lending Test and the Community Development Test factors discussed above, there have been no complaints regarding the bank's CRA performance. Furthermore, examiners identified no substantive fair lending concerns during this evaluation.

SCOPE OF EVALUATION

This CRA evaluation was conducted using Intermediate Small Institution Examination Procedures. The evaluation covers the bank's CRA performance since the previous CRA evaluation dated June 3, 2002, through April 7, 2008, the date of this evaluation. Particular focus was given to the bank's residential real estate, small business and small farm loan products as these product types represent a majority of the bank's outstanding loan portfolio and are specifically targeted in the bank's business strategy. Consumer loans were not reviewed as this product is not a main focus in the bank's business strategy. Conclusions related to Assessment Area Concentration, Geographic Distribution, and Borrower Profile are based on a review of a sample of residential real estate, small business and small farm loans originated in the six month time frame preceding February 29, 2008; while the conclusions for the community development test is based on a review of the bank's community development loans, investments, and services since June 3, 2002.

DESCRIPTION OF INSTITUTION

Town & Country Bank is a financial institution with \$438,196,000 in total assets as of December 31, 2007. The bank is a wholly-owned subsidiary of Town & Country Bancshares, Inc., Salem, Missouri, a one-bank holding company. Town & Country Bank is a full-service financial institution which operates from its main office located at 1009 Highway 32 East in Salem, Missouri. On March 19, 2004, Town & Country Bank purchased three branch facilities (two in Ava and one in Mountain Grove, Missouri) from Union Bank, Kansas City, Missouri. In addition to the bank's main office, Town & Country Bank now operates nine branch facilities located as follows: one other facility in Salem; two facilities in each of the cities of Rolla and Ava, Missouri; and one facility in each of the cities of Licking, Bourbon, Mountain Grove, and St. James, Missouri. Of the nine branch facilities, seven are located in middle-income CTs and two are located in moderate-income CTs (the Rolla-North facility and the Mountain Grove facility).

As of December 31, 2007, the bank had net loans of \$347,006,000, and total deposits of \$380,576,000, resulting in a net loan-to-deposit ratio of 91 percent. Table 1 on the following page depicts the bank's loan portfolio distribution, which indicates a strong residential real estate lending focus. Residential real estate loans comprise 54 percent of the dollar volume of the bank's loan portfolio. Commercial loans, which include both commercial and industrial loans and loans secured by non-farm non-residential loans, account for 18 percent; while agricultural loans, which include farmland and agricultural production loans, account for 13 percent of the loan portfolio. Consumer loans represent 6 percent of the remainder of the portfolio. Since residential real estate, commercial, and agricultural loans are the bank's most prevalent categories, examiners focused on these product lines for evaluation purposes. Refer to Table 1 for more details concerning the bank's loan portfolio.

Table 1—Loan Distribution		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	\$14,661	4%
Secured by Farmland	\$39,809	11%
Secured by 1-4 Family Residential	\$189,700	54%
Secured Multi-Family (5 or more) Residential	\$9,032	3%
Secured by Non-Farm Non-Residential (Commercial)	\$46,975	13%
Total Real Estate Loans	\$300,177	85%
Agricultural	\$5,654	2%
Commercial and Industrial	\$17,641	5%
Consumer	\$19,462	6%
Other	\$7,755	2%
Less: Unearned Income	<\$0>	0%
Total Loans	\$350,689	100%

Source: Report of Condition (December 10, 2007).

Aside from statutory lending limits, Town & Country Bank has no legal or financial impediments that would prevent it from meeting the credit needs of its assessment area. The bank operates in a somewhat competitive environment, with a wide array of products available from other local financial institutions. Town & Country Bank is one of several banks headquartered in counties which encompass the bank’s assessment area. Other area banks headquartered in the assessment area include Bank of Salem and Progressive Ozark Bank FSB, both of Salem, Missouri; and Citizens Bank of Newburg and Phelps County Bank, both of Rolla, Missouri. In addition, the assessment area includes several branch facilities of larger regional institutions. Town & Country Bank received a CRA rating of “Satisfactory” at its prior CRA Evaluation dated June 3, 2002, which was performed utilizing Small Institution Examination Procedures.

DESCRIPTION OF THE ASSESSMENT AREA

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 normally identified as census tracts (CTs). These CTs represent statistical subdivisions of a county.

How Median Family Income Is Used Throughout This Analysis: The designation of a CT as low-, moderate-, middle-, or upper-income is determined by comparing the 2000 Median Family Income (MFI) for the CT with the 2000 MFI for the non-metropolitan area of the state in which the CT is located. The 2000 Median Family Income (MFI) figure was \$36,175 for the non-metropolitan areas of Missouri which includes all six counties comprising the bank's assessment area. This income figure is used to determine the income levels for each geography encompassing the bank's assessment area used for this evaluation in conjunction with Criterion 3 (Geographic Distribution Analysis).

Based on estimates by the Department of Housing and Urban Development (HUD), the adjusted MFI figure for the non-metropolitan areas of Missouri was \$42,800 in 2007 and \$43,800 in 2008. These adjusted figures are also used to determine the income level of the borrowers from these areas in conjunction with Criterion 4 (Borrower Profile Analysis).

Definition of Income Groups:

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

Town & Country Bank has established one assessment area that includes all of Crawford, Dent, Douglas, Phelps, Texas, and Wright Counties. The assessment area encompasses a total of 29 CTs; of which, four are classified moderate-income, twenty-three are middle-income, and two are classified upper-income CTs. Regarding the moderate-income geographies, one moderate-income CT is located in each of the counties of Douglas, Phelps, Texas, and Wright. In addition, six Distressed Middle-Income Non-metropolitan Tracts have been designated within the assessment area due to poverty rates. Specifically, three of these CTs are located in each of Texas and Wright Counties. All six of these CTs received this designation in 2005 and 2007.

Based on 2000 Census data, the total population of the assessment area is 131,598. This population is comprised of 36,483 households that are families, of which 8,958 (25 percent) are low-income; 8,010 (22 percent) are moderate-income; 8,132 (22 percent) are middle-income; and 11,383 (31 percent) are upper-income. Census data for 2000 also reveals that approximately 14 percent of the assessment area's families have incomes below the poverty level. "Poverty level" is an established dollar threshold rather than a percentage-based calculation of the median family income. Specifically, for a family of four, the 2000 poverty level threshold was \$17,603; therefore, a family earning less than \$17,603 was below the poverty level. The U.S. Department of Health and Human Services lists the poverty level threshold in 2007 for a family of four as \$21,736. This figure is determined on a national basis and is not adjusted regionally.

Data from the Bureau of Labor Statistics indicated the unemployment rate for Missouri to be 5.5 percent as of January 2008. As of the same date, the unemployment rates for Crawford, Dent, Douglas, Phelps, Texas, and Wright Counties were 8.8 percent, 8.2 percent, 7.1 percent, 6.3 percent, 6.8 percent, and 7.0 percent, respectively.

According to 2007 D&B data, the assessment area is home to 10,518 businesses (646 farms and 9,872 non-farms). D&B data also reveals only 5 percent of the assessment area's non-farm-related businesses have gross revenues of over \$1 million, while only 1 percent of the assessment area's farm-related businesses have gross revenues of over \$1 million. In addition, only 6 percent of assessment area employers have greater than 20 employees. This information was used to evaluate the bank's lending to both non-farm and farm businesses under Criterion 4 (Borrower Profile Analysis). According to D&B data, the largest industry sectors in the assessment area in 2006 include: service with 28 percent, retail trade with 14 percent, and agriculture/forestry/fishing with 8 percent. The largest employers in the assessment area include Missouri University of Science and Technology, Briggs and Stratton, and the Phelps County Regional Medical Center.

The 2000 Census data reveals the housing stock in the assessment area totals 59,985 units, with owner-occupied homes comprising 63 percent, occupied rental units comprising 24 percent, and vacant units comprising 13 percent. The median home value in the assessment area in 2000 was \$68,357, and the median age of a home was 28 years. The median gross rent level was \$356 per month. This information was considered in evaluating the bank's CRA performance relative to residential related lending.

In an effort to determine community credit needs, examiners conducted an interview with an individual who was familiar with the bank's assessment area to obtain a profile of the bank's assessment area, identify community development opportunities, and assess opportunities for participation by local financial institutions. This contact, as well as bank management, described the local economic climate as stable and classified most local residents as moderate- and middle-income wage earners. Additionally the contact indicated that real estate and commercial loans were the most prevalent credit needs. Lastly, the contact also opined that the area is well banked and the local financial institutions are meeting the banking needs of the community, including small business and residential loan needs. No unmet needs could be identified.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Town & Country Bank’s residential real estate, small business, and small farm lending were reviewed for this analysis since they are integral to the bank’s business strategy and serve important community development needs. Consumer loans were not reviewed, since this product category represents a smaller portion of the institution’s total loan portfolio and is not the primary focus of the bank’s business strategy.

Criterion 1: Loan to Deposit Ratio

Town & Country Bank’s average net loan-to-deposit (NLTD) ratio, which is a key measure of the bank’s overall level of lending, is reasonable given the institution’s asset size, financial condition, and assessment area credit needs. In arriving at this conclusion, examiners considered demographic data and economic factors in the assessment area, as well as the bank’s lending capacity. For the 23 quarters from June 30, 2002 to December 31, 2007, the NLTD ratio for Town & Country Bank has averaged 86 percent. The bank’s NLTD ratio has ranged from a low of 79 percent as of March 31, 2004 to the current high of 91 percent as of December 31, 2007. For this time period, net loans have steadily grown, ranging from a low of \$181,191,000 as of June 30, 2002 to the current high of \$347,006,000 as of December 31, 2007.

When available and relevant, the lending performance of similarly situated lenders can serve as a method of assessing the adequacy of a bank’s average NLTD ratio. Similarly situated lenders are defined as financial institutions that are located in or near the bank’s assessment area, and are comparable to the bank based on market served, product offerings, loan portfolio composition, and/or branching structure. Town & Country’s average NLTD ratio is reasonable when compared to the similarly situated lenders in the bank’s assessment area, as seen in Table 2 below. The bank’s NLTD ratio is also considered reasonable given the lending opportunities available in the assessment area, the bank’s size, and the bank’s financial condition.

Table 2—Data on Similarly Situated Institutions		
Institution	Total Assets (000s)*	Average NLTD Ratio
Town & Country Bank Salem, Missouri	\$438,196	86%
Peoples Bank Cuba, Missouri	\$148,052	101%
Bank of Salem Salem, Missouri	\$80,167	65%
Citizens Bank of Newburg Rolla, Missouri	\$218,622	65%
Phelps County Bank Rolla, Missouri	\$209,570	78%

**Report of Condition (6/31/02 thru 12/31/07)*

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

The following pages discuss performance Criterion 2 (Assessment Area Concentration), Criterion 3 (Geographic Distribution Analysis), and Criterion 4 (Borrower Profile Analysis). Conclusions are based on an examination of a sample of residential real estate, small business, and small farm loans originated within the assessment area during the six month time frame preceding February 29, 2008. The analysis focused on these loan products as they represent a majority (85 percent) of the bank's loan portfolio based on dollar volume, and these products reflect the bank's primary lending focus. 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 stratification of the percentage of owner-occupied housing units in the assessment area by geography income level, the stratification of families in the assessment area based on gross annual income, and the stratification of commercial businesses and farm operations based on gross annual revenues. The analysis of these loans was conducted within the context of the assessment area's economy, credit needs, and competition among financial institutions. Consumer loans were not reviewed since they represent a smaller percentage of the portfolio and are not the bank's primary lending focus area.

For Criterion 3 (Geographic Distribution Analysis) and 4 (Borrower Profile Analysis), particular focus was given to lending in moderate-income geographies and to low- and moderate-income borrowers in the assessment area. Also, particular focus was given to lending to small businesses and small farm operations (gross annual revenues of \$1 million or less) in the assessment area. For an explanation of how the income designation of a particular geography 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* within this evaluation.

As mentioned above, the loan samples used for this CRA evaluation were taken from a universe of loans originated during the six month time frame preceding February 29, 2008. Sample size and universe information for the three loan products are as follows: The residential real estate loan review consisted of a sample of 42 loans totaling \$3,222,497 from a universe of 263 loans totaling \$22,139,564; the small business loan review consisted of a sample of 41 loans totaling \$4,099,834 from a universe of 210 loans totaling \$19,772,030; and the small farm loan review consisted of a sample of 28 loans totaling \$2,118,885 from a universe of 52 loans totaling \$4,301,344.

In drawing conclusions for performance Criteria 2, 3 and 4, 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 and smaller businesses and farms are for smaller dollar amounts than loans to higher income individuals and larger businesses and farms. Therefore, an analysis using the dollar volume of loans may not provide a representative picture of the bank's lending efforts. Additionally, more weight was given to residential real estate loan sample in this analysis since these loans comprise a larger portion of the loan portfolio (54 percent).

Criterion 2: Assessment Area Concentration

Town & Country Bank's performance regarding assessment area lending is reasonable. The bank's performance was evaluated through examiner review of the residential real estate, small business, and small farm loans previously discussed. Based on the review, 82 percent of the number and 85 percent of the dollar volume of the loans were originated within the bank's assessment area. Table 3 details the bank's record of lending within its assessment area.

Table 3 – Assessment Area Concentration										
Loan Category or Type	Number of Loans					Dollar Volume of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	37	88%	5	12%	42	\$2,724	85%	\$498	15%	\$3,222
Small Businesses	34	83%	7	17%	41	\$3,611	88%	\$489	12%	\$4,100
Small Farms	20	71%	8	29%	28	\$1,718	81%	\$401	19%	\$2,119
Total	91	82%	20	18%	111	\$8,053	85%	\$1,388	15%	\$9,441

Source: 2007 and 2008 bank records.

Criterion 3: Geographic Distribution Analysis

The geographic distribution of Town & Country Bank's lending reflects an overall reasonable dispersion of residential real estate, small business, and small farm loans throughout the assessment area. As mentioned previously, this analysis was performed by reviewing the geographic distribution of the bank's residential real estate, commercial, and agricultural loans originated during the six month period preceding February 29, 2008.

Residential Real Estate Loans

Table 4 on the following page illustrates the bank's dispersion of lending throughout the assessment and the assessment area's level of owner-occupied units on a geography specific basis. This information is included for comparison purposes; in that, the percentage of owner-occupied units in a particular CT can reflect potential demand for residential real estate loans in that geography. As presented in the table, 80 percent of the owner-occupied units are located in middle-income CTs, 13 percent in moderate-income CTs, and the remaining 7 percent are located in the assessment area's upper-income CTs. A review of the sampled residential real estate loans reveals a less than satisfactory dispersion of the bank's residential real estate lending relative to the moderate-income CTs. As depicted in Table 4 on the following page, the geographic analysis of the sampled loans shows minimal lending in moderate-income CTs located in the bank's assessment area. Despite low residential lending levels in moderate-income geographies, some mitigating factors are present. The moderate-income CT located in Phelps

County (CT 9904) is actually situated within the parameters of the campus of Missouri University of Science and Technology; therefore, residential lending prospects in this CT would be extremely limited for the bank’s two Rolla facilities. The remaining three moderate-income CTs are located within largely rural portions of Texas, Wright, and Douglas Counties (which represents the extreme southern edge of the bank’s assessment area). With the exception of a portion of the city limits of Mountain Grove, none of these CTs include cities of notable size. Given this, competition for residential loans would be high relative to the other lenders that have main offices and/or branch facilities with longstanding lending performance in Texas, Wright, and Douglas Counties. In addition, Table 4 shows an 81 percent middle-income CT lending penetration and a 19 percent upper-income CT lending penetration.

Table 4 – Distribution of Residential Real Estate Loans by CT Income Level						
CT Income Level	CTs (% of #)	Owner-Occupied Units (% of #)	Number of Loans		Dollar Volume of Loans (000's)	
			#	%	\$	%
Low	0%	0%	0	0%	\$0	0%
Moderate	14%	13%	1	3%	\$161	6%
Middle	79%	80%	29	78%	\$1,957	72%
Upper	7%	7%	7	19%	\$606	22%
Total	100%	100%	37	100%	\$2,724	100%

Source: U.S. Census (2000) and 2007 and 2008 bank records.

Commercial Loans

The bank’s commercial lending performance reflects a reasonable dispersion. Table 5 on the following page depicts the geographic distribution of the bank’s commercial lending, by both number and dollar volume, for those loans originated within the assessment area. A vast majority (76 percent) of the bank’s commercial loans have been originated in middle-income CTs, while the remaining 24 percent of the commercial loan originations were evenly distributed in the moderate-income CTs (12 percent) and the upper-income CTs (12 percent). D&B data compiled for 2007 shows 80 percent of the assessment area’s businesses being located in the middle-income CTs. Since the bank’s commercial lending percentage in moderate-income CTs is only slightly lower than the D&B percentage for businesses located in these geographies (15 percent), the bank’s lending performance is considered reasonable.

Table 5 – Distribution of Small Business Loans by CT Income Level						
CT Income Level	CTs (% of #)	D&B Business Data (% of #)	Number of Loans		Dollar Volume of Loans (000's)	
			#	%	\$	%
Low	0%	0%	0	0%	\$0	0%
Moderate	14%	15%	4	12%	\$546	15%
Middle	79%	80%	26	76%	\$2,872	80%
Upper	7%	5%	4	12%	\$193	5%
Total	100%	100%	34	100%	\$3,611	100%

Source: D&B (2006) and 2007 and 2008 bank records.

Agricultural Loans

The bank's lending performance relative to agricultural loans also reflects a reasonable dispersion. Table 6 below depicts the geographic distribution of the bank's agricultural lending, by both number and dollar volume, for those loans originated within the assessment area. A substantial majority (90 percent) of the bank's agricultural loans have been originated in middle-income CTs, while the remaining 10 percent were originated in the assessment area's moderate-income CTs. D&B data compiled for 2007 shows 82 percent of the assessment area's farm operations being located in the middle-income CTs. As with the commercial loans, the bank's agricultural lending percentage in moderate-income CTs (10 percent) is slightly lower than the D&B percentage for farm operations located in these geographies (14 percent). Nonetheless, the bank's lending performance in moderate-income CTs is considered reasonable.

Table 6 – Distribution of Small Farm Loans by CT Income Level						
CT Income Level	CTs (% of #)	D&B Farm Data (% of #)	Number of Loans		Dollar Volume of Loans (000's)	
			#	%	\$	%
Low	0%	0%	0	0%	\$0	0%
Moderate	14%	14%	2	10%	\$346	20%
Middle	79%	82%	18	90%	\$1,372	80%
Upper	7%	4%	0	0%	\$0	0%
Total	100%	100%	20	100%	\$1,718	100%

Source: D&B (2006) and 2007 and 2008 bank records.

Criterion 4: Borrower Profile Analysis

Town & Country Bank's distribution of loans to borrowers reflects, given the demographics of the assessment area, an overall reasonable penetration among retail customers of different income levels and business and farm customers of different revenue sizes. Residential real estate lending reflects an overall reasonable distribution among retail customers of different income levels in relation to demographics; moreover, small business and small farm lending reflects a reasonable penetration among businesses and farm operations of different sizes in relation to demographics.

Lending to Individuals of Different Income Levels

The bank's residential real estate lending reflects an overall reasonable penetration among individuals of different income levels.¹

As shown in Table 7 on the following page, the bank's residential lending performance regarding low-income borrowers (8 percent) is lower than the percentage of low-income families in the assessment area (25 percent). However, the bank's lending performance regarding low-income borrowers is still considered reasonable since the lending percentages for low-income families 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. Based on the HUD adjusted median family incomes for 2007, the annual income for a low-income family would be \$21,400 for the non-metropolitan areas of Missouri; this lower income level could make a home purchase more difficult. In addition, the bank's percentage of residential real estate lending to moderate-income borrowers (30 percent) compares favorably to the percentage of moderate-income families in the assessment area (22 percent). Consequently, the bank's combined lending performance to low- and moderate-income families is considered reasonable given the performance context for which the bank is conducting business and the composition of its assessment area. When reviewing the bank's performance regarding low- moderate-income residential lending, the percentage of families in the assessment area living below the poverty level must also receive consideration. According to 2000 census data, 14 percent of the families in the assessment area are below the poverty level. For comparison purposes, the poverty level for the state of Missouri is 9 percent. As previously discussed, in 2000, a family earning less than \$17,603 annually is considered below the poverty level. The U.S. Department of Health and Human Services lists the poverty level threshold in 2007 for a family of four as \$21,736. Examiners also considered the fact that the community contact and management both stated that there is a lack of affordable housing for low-income individuals and that most new home construction is targeted to medium- and upper-income individuals.

¹ The loan distribution is determined by comparing the borrower's income for a given year to the HUD adjusted median family income (MFI) for the non-metropolitan areas of Missouri for that same year. For 2007, the baseline for non-metropolitan areas of Missouri is \$42,800. As previously discussed on page 5, percentages of the baseline figure are then used to determine what income levels are low-, moderate-, middle-, and upper-income. For example, in 2007 a non-metropolitan borrower with an income of less than \$21,400 would be considered low-income and a borrower with an income of \$21,400 to less than \$34,240 would be considered moderate-income in this assessment area. The distribution of assessment area families by income level is based on 2000 Census data.

As expected, the percentage of loans to both low- and moderate-income borrowers based on dollar volume is lower than the percentage of loans to low- and moderate-income borrowers based on number, reflecting that the average loan size to these two groups are typically smaller than loans to higher income borrowers.

Table 7 – Distribution of Residential Lending to Borrowers of Different Income Levels					
Borrower Income Level	Families by Income (% of #)	Bank Lending Data			
		#	%	\$	%
Low	25%	3	8%	\$178	7%
Moderate	22%	11	30%	\$505	18%
Middle	22%	7	19%	\$595	22%
Upper	31%	16	43%	\$1,446	53%
Total	100%	37	100%	\$2,724	100%

Source: U.S. Census (2000) and 2007 and 2008 bank records.

Lending to Businesses of Different Revenue Sizes

The bank's small business lending efforts reflect a reasonable penetration among businesses of different revenue sizes. The bank's commercial lending in its assessment area to businesses with gross annual revenues of \$1 million or less is reasonable in comparison to demographic data. This data is shown in Table 8 below.

Table 8 – Distribution of Small Business Lending Among Businesses of Different Revenue Sizes					
Gross Annual Revenues (000s)	D & B Business Data (% of #)	Number of Loans		Dollar Volume of Loans (000's)	
		#	%	\$	%
≤ \$1,000	95%	32	94%	\$3,163	88%
>\$1,000	5%	2	6%	\$448	12%
Total	100%	34	100%	\$3,611	100%

Source: D&B data (2007) and 2007 and 2008 bank records.

Lending to Farms of Different Revenue Sizes

The bank's small farm lending efforts reflect a reasonable penetration among farm operations of different revenue sizes. The bank's lending in its assessment area to farm operations with gross annual revenues of \$1 million or less is reasonable in comparison to demographic data. This data is shown in Table 9 below.

Table 9 – Distribution of Small Farm Lending Among Farm Operations of Different Revenue Sizes					
Gross Annual Revenues (000s)	D & B Business Data (% of #)	Number of Loans		Dollar Volume of Loans (000's)	
		#	%	\$	%
≤ \$1,000	99%	19	95%	\$1,387	81%
>\$1,000	1%	1	5%	\$331	19%
Total	100%	20	100%	\$1,718	100%

Source: D&B data (2007) and 2007 and 2008 bank records.

Criterion 5: Responses to CRA-Related Complaints

Town & Country Bank has not received any CRA-related complaints since the prior Performance Evaluation dated June 3, 2002.

COMMUNITY DEVELOPMENT TEST

Under the Intermediate Small Bank Community Development Test, an institution should appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacities, and take reasonable steps to apply its community development resources strategically to meet those needs.

Definition of Community Development: An activity is considered to be a qualified community development activity if it meets one of following purposes: 1) affordable housing (including multifamily rental housing) for low- and moderate-income individuals; 2) community services targeted to low- and moderate-income individuals; 3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Small Business Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or 4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC, and Office of the Comptroller of the Currency.

Town & Country Bank's performance under the community development test demonstrates an adequate responsiveness to the community development needs of its assessment area. The bank's collective performance with respect to community development lending, qualified investments, and community development services, is considered reasonable considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area. As mentioned previously, in 2005 and 2007, the bank's assessment area contains Distressed Middle-Income Non-metropolitan Tracts in Texas and Wright Counties due to poverty rates. Community development initiatives in identified distressed geographies are given consideration under the community development test.

Quantitative performance measurements of a financial institution's community development lending and investments, compared to net loans, asset size, and total equity capital, serves as an additional method of assessing a bank's financial capacity to meet the community development needs of its assessment area. To compare the qualified community development levels, the bank's net loan figure is \$347,006,000 and total assets are \$438,196,000, as of December 31, 2007. In addition, total equity capital is \$44,176,000 as of this same date.

As previously mentioned, examiners conducted a community contact to identify community development opportunities and general credit needs of the assessment area, and assess opportunities for participation by local financial institutions. The individual contacted stated that the primary credit need in the assessment area is residential real estate loans. Based on the current economic and demographic conditions in the bank's assessment area, there is a need for financial institutions to engage in affordable housing community development activities. Town & Country Bank has addressed that need by making \$7,542,000 in qualified community development loans for affordable housing purposes and participating in the Federal Home Loan Bank Rural Home Ownership Program.

COMMUNITY DEVELOPMENT LENDING

Table 10 on the following page reflects the distribution of the bank's community development loans by year and community development purpose. Town & Country Bank has originated 104 community development loans totaling \$18,936,000 since the previous evaluation which is considered reasonable. The bank's community development loans, ranked by purpose, consist of 40 percent affordable housing, 18 percent revitalization and stabilization, 33 percent economic development, and 9 percent community services. All of the community development loans made by the bank provide benefits to the bank's assessment area, as required for consideration under the CRA.

Table 10 – Community Development Lending

Activity Year	Affordable Housing		Revitalization and Stabilization		Economic Development		Community Services		Grand Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2002	0	\$0	2	\$1,170	0	\$0	0	\$0	2	\$1,170
2003	1	\$75	0	\$0	1	\$1,004	1	\$400	3	\$1,479
2004	3	\$191	1	\$1,300	1	\$3,000	1	\$1,260	6	\$5,751
2005	21	\$2,530	0	\$0	1	\$1,004	0	\$0	22	\$3,534
2006	39	\$2,577	1	\$250	0	\$0	0	\$0	40	\$2,827
2007	23	\$1,796	2	\$635	1	\$1,371	0	\$0	26	\$3,802
2008	5	\$373	0	\$0	0	\$0	0	\$0	5	\$373
Totals	92	\$7,542	6	\$3,355	4	\$6,379	2	\$1,660	104	\$18,936

Source: Bank records

QUALIFIED INVESTMENTS

Table 11 on the following page reflects the distribution of the bank's community development investments by year and community development purpose. Town & Country Bank has made 87 qualified community development investments totaling \$785,000 consisting of 7 percent affordable housing, 86 percent revitalization and stabilization, 0 percent economic development, and 7 percent community services. Specifically, the community development investments consist of 63 donations totaling \$55,000 to organizations having the specific purpose of providing community services to low- or moderate-income individuals, 22 Federal Home Loan Bank Rural Home Ownership Program grants totaling \$55,000, and 2 municipal bond purchases totaling \$675,000 in the Distressed Middle-Income Non-metropolitan Tracts of Texas County. The bank's level of qualified investments is reasonable, considering the bank's capacity and the need and availability of community development opportunities in the bank's assessment area.

Table 11 – Community Development Investments

Activity Year	Affordable Housing		Revitalization and Stabilization		Economic Development		Community Services		Grand Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2002	0	\$0	0	\$0	0	\$0	4	\$10	4	\$10
2003	2	\$5	0	\$0	0	\$0	7	\$11	9	\$16
2004	20	\$50	0	\$0	0	\$0	15	\$3	35	\$53
2005	0	\$0	0	\$0	0	\$0	12	\$26	12	\$26
2006	0	\$0	0	\$0	0	\$0	19	\$3	19	\$3
2007	0	\$0	2	\$675	0	\$0	6	\$2	8	\$677
2008	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Totals	22	\$55	2	\$675	0	\$0	63	\$55	87	\$785

Source: Bank records

COMMUNITY DEVELOPMENT SERVICES

Table 12 on the following page reflects the distribution of the bank’s community development services by year and community development purpose. In addition to the services presented in Table 12, Town & Country Bank offers nine banking facilities, two of which are located in moderate-income CTs; in addition, all banking facilities maintain reasonable hours of operation and alternative delivery systems that are accessible by all portions of the bank’s assessment area. The bank maintains a website, and provides internet banking to its customers. Further, the bank offers loan and deposit products, such as the Federal Home Loan Bank Rural Home Ownership Program, that could assist low- and moderate-income individuals’ banking needs. Since the previous evaluation, the bank’s community development services in its assessment area consisted of active participation on the part of several bank employees in various organizations that perform services that meet the definition of community development under the CRA. The services provided by the bank’s employees relate to the provision of financial services as required by the regulation for consideration under the CRA.

Table 12 – Community Development Services

Activity Year	Affordable Housing	Revitalization and Stabilization	Economic Development	Community Services	Grand Total
	#	#	#	#	#
2002	0	0	2	3	5
2003	0	0	2	5	7
2004	0	0	3	6	9
2005	1	1	4	7	13
2006	2	2	5	8	17
2007	2	3	8	8	21
2008	2	3	7	8	20
Totals	7	9	31	45	92

Source: Bank records

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

There was no evidence of discriminatory or other illegal credit practices inconsistent with the bank's performance relative to meeting the credit needs of the assessment area.