FRB Order No. 2017-03
February 8, 2017

FEDERAL RESERVE SYSTEM

Central Bancompany, Inc.
Jefferson City, Missouri

Order Approving the Acquisition of a Bank

Central Bancompany, Inc. ("Central"), Jefferson City, Missouri, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to acquire 100 percent of the voting shares of Bank Star One ("Star One"), Fulton, Missouri.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 Federal Register 56,654 (2016)).[3] The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Central, with consolidated assets of approximately $12.3 billion, is the 108th largest depository organization in the United States, controlling deposits of approximately $9.2 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[4] Central controls 13 insured depository institutions, which operate in Illinois, Kansas, Missouri, and Oklahoma. Central is the sixth largest insured depository organization in Missouri, controlling deposits of

[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] 12 CFR 262.3(b).

[4] Nationwide deposit, asset, and ranking data are as of June 30, 2016. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

approximately $7.6 billion, which represent approximately 4.8 percent of the total deposits of insured depository institutions in that state.[5]

Star One, with total assets of approximately $87.6 million, is a subsidiary of Bancstar, Inc., St. Louis, Missouri, the 3,323rd largest depository organization in the United States. Star One is a Missouri-chartered nonmember bank that operates only in Missouri. Bancstar, Inc. is the 102nd largest insured depository organization in Missouri, controlling approximately $215.5 million in deposits, which represent less than 1 percent of the total deposits held by insured depository institutions in Missouri.

On consummation of this proposal, Central would become the 107th largest depository organization in the United States, with consolidated assets of approximately $12.4 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. Central would control deposits of approximately $9.3 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Missouri, Central would remain the sixth largest depository organization, controlling deposits of approximately $7.7 billion, which represent approximately 5.0 percent of the total deposits of insured depository institutions in that state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market.[6] The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[7]

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[5] State deposit, market share, and ranking data are as of June 30, 2015.

[6] 12 U.S.C. § 1842(c)(1)(A).

[7] 12 U.S.C. § 1842(c)(1)(B).

Central has subsidiary depository institutions that compete directly with Star One in the Jefferson City, Missouri, banking market (the "Jefferson City market")[8] and the Lake of the Ozarks, Missouri, banking market (the "Lake of the Ozarks market").[9] The Board has considered the competitive effects of the proposal in these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the markets, the relative shares of the total deposits in insured depository institutions in the markets ("market deposits") that Central would control,[10] the concentration level of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines"),[11] and other characteristics of the markets.

The competitive effects of the proposal in the Jefferson City and Lake of the Ozarks markets warrant a detailed review because the proposal would result in the

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[8] The Jefferson City market is defined as Callaway, Cole, and Osage counties; Boone, Jackson, and Jefferson townships in Maries County; and the western half of Gasconade County, including the Richland, Boulware, Third Creek, Clay, and Bourbois townships, all in Missouri.

[9] The Lake of the Ozarks market is defined as Camden, Miller, and Morgan counties, all in Missouri.

[10] Deposit and market share data are as of June 30, 2015, and are based on data reported by insured depository institutions in the Federal Deposit Insurance Corporation's Summary of Deposits survey.

[11] Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that the DOJ Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), www.justice.gov/opa/pr/2010/August/10-at-938.html.

market deposit share of Central exceeding 35 percent in these markets when using initial competitive screening data.

Jefferson City, Missouri, Banking Market. Using the initial competitive screening data, Central is the largest depository organization in the Jefferson City market, controlling deposits of approximately \$2.1 billion, which represent approximately 47.7 percent of market deposits. Star One is the 15th largest depository organization in the market, controlling deposits of approximately \$42.8 million, which represent approximately 1.0 percent of market deposits. On consummation of the proposal, the combined entity would be the largest depository organization in the Jefferson City market, controlling deposits of approximately \$2.1 billion, which would represent approximately 48.7 percent of market deposits. The HHI in the market would increase by 92 points, from 2,553 to 2,645.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Jefferson City market.[12] Factors indicate that the increase in concentration in the Jefferson City market, as measured by the above HHI and market share, overstates the potential competitive effects of the proposal in the market.

The Board has considered the competitive influence of four community credit unions in the Jefferson City market. The institutions offer a wide range of consumer banking products, operate street level branches, and have broad membership criteria that include almost all of the residents in the relevant banking market.[13] The

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[12] The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See Nationsbank Corp., 84 Federal Reserve Bulletin 129 (1998).

[13] The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., Chemical Financial Corporation, FRB Order No. 2015-13 (April 20, 2015); Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order No. 2012-9 (August 30, 2012); United Bankshares, Inc. (order dated June 20, 2011), 97 Federal

Board finds that these circumstances warrant including the deposits of these credit unions at a 50 percent weight in estimating market influence. This weighting takes into account the limited lending done by these credit unions to small businesses relative to commercial banks' lending levels.

This adjustment suggests modest reductions are appropriate in the resulting market concentration of the proposed transaction in the Jefferson City market. After consummation, adjusting to reflect competition from credit unions in the market, the market concentration level in the Jefferson City market as measured by the HHI would increase by 89, from a level of 2,445 to 2,534, and the market share of Central resulting from the transaction would increase in the market from 46.7 percent to 47.6 percent.

Central argues that certain of its deposits in the Jefferson City market distort the measure of the competitive effect of the proposal on the Jefferson City market because those deposits cannot be used for lending. In conducting its competitive analysis in previous cases, the Board generally has not adjusted its market share calculations to exclude categories of deposits because all deposits are typically available to support lending and other banking activities at any location, and the deposits maintained in a specific market represent a firm's ability to compete in that market. The Board, however, has adjusted market deposits to exclude specific types of out-of-market deposits held by an acquirer in rare situations when evidence supports a finding that the out-of-market deposits are subject to legal or other restrictions that constrain an organization's ability to use those deposits to support its general banking activities and that there are data available to make comparable adjustments to the market shares for other participants, if appropriate.[14]

Reserve Bulletin 19 (2nd Quar. 2011); The PNC Financial Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); and Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

[14] See Huntington Bancshares Incorporated, FRB Order No. 2016-13, 12-15 (July 29, 2016); First Security Corp., 86 Federal Reserve Bulletin 122, 125-27 (2000).

Central has some out-of-market deposits that are booked at its main office that are subject to legal or other restrictions that constrain the organization's ability to lend on such deposits. These deposits have been generated from a large class action settlement and are being held in escrow for payment to consumers throughout the United States. Central represents that it cannot lend on these deposits.

To account for the possibility that other market competitors might maintain similar deposits in the Jefferson City market, the Board excluded deposits from the second largest competitor in the market such that the size of this competitor's largest branch in the market is reduced to the size of its second largest branch in the market. This adjustment also suggests a modest reduction in the initial measures of market concentration. After making these adjustments and weighing the deposits of credit unions at 50 percent, Central would control approximately 46.6 percent of market deposits, and the HHI would increase by 96 points to a level of 2,422.

The Board has also examined other aspects of the structure of the Jefferson City market that mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Jefferson City market. After consummation of the proposal, Central would face competition from 23 other depository institutions in the market, one of which would control more than 9 percent of market deposits and two of which would control more than 6 percent of market deposits. The presence of these viable competitors suggests that Central would have limited ability to unilaterally offer less attractive terms to consumers and that these competitors are able to exert competitive pressure on Central in the Jefferson City market. This conclusion is supported in this case by an analysis of private pricing data, which indicates that Central's fees and interest rates for deposit products in the Jefferson City market are close to the median prices of other banks in the market and do not deviate substantially from Central's prices in markets where Central is not the dominant firm. Moreover, although the market is highly concentrated, as measured by the HHI, the change in market share and market structure would be de minimis.

Lake of the Ozarks, Missouri, Banking Market. Using the initial competitive screening data, Central is the largest depository organization in the Lake of the Ozarks market, controlling deposits of approximately $579.4 million, which represent approximately 36.8 percent of market deposits. Star One is the 10th largest depository organization in the market, controlling deposits of approximately $32.5 million, which represent approximately 2.1 percent of market deposits. On consummation of the proposal, the combined entity would be the largest depository organization in the Lake of the Ozarks market, controlling deposits of approximately $611.9 million, which would represent approximately 38.9 percent of market deposits. The HHI in the market would increase by 152 points, from 1,816 to 1,968.

One credit union exerts a competitive influence in the Lake of the Ozarks market. This institution offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the relevant banking market. The Board finds that these circumstances warrant including the deposits of this credit union at a 50 percent weight in estimating market influence. Adjusting to reflect competition from this credit union, the market concentration level in the Lake of the Ozarks market as measured by the HHI would increase by 149, from a level of 1,773 to 1,922, and the market share of Central resulting from the transaction would increase in the market from 36.3 percent to 38.4 percent. In addition to the credit union, 17 commercial bank competitors would remain in the market, two of which would control more than 10 percent of market deposits and one of which is a large, national depository institution that would control approximately 9 percent of market deposits. The presence of these viable competitors suggests that Central would have limited ability to unilaterally offer less attractive terms to consumers and that these competitors are able to exert competitive pressure on Central in the Lake of the Ozarks market. Moreover, as in the Jefferson City market, the change in market share and market structure resulting from the proposal in the Lake of the Ozarks market would be relatively small.

Conclusion Regarding Competitive Effects

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market, including the Jefferson City market and the Lake of the Ozarks market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, in particular the structure of the relevant markets, the number of remaining competitors, the small increase in market share associated with the proposal, and other factors discussed above, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Jefferson City market, the Lake of the Ozarks market, or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

<u>Financial, Managerial, and Other Supervisory Considerations</u>

In reviewing a proposal under the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.[15] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the relevant depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to

[15] 12 U.S.C. §§ 1842(c)(2), (5), and (6).

absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Central and Star One are both well capitalized and would remain so on consummation of the proposed transaction. The proposed transaction is a purchase of stock in exchange for cash.[16] The asset quality, earnings, and liquidity of Central and Star One are consistent with approval, and Central appears to have adequate resources to absorb the costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Central, its subsidiary depository institutions, and Star One, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Central; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; as well as information provided by the commenter.

Central and its subsidiary depository institutions are considered to be well managed. Central's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and its risk-management program appears consistent with approval of this expansionary proposal.

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[16] Central will purchase 100 percent of Star One's outstanding voting shares from BancStar, Inc., St. Louis, Missouri, a bank holding company, in exchange for cash. Central has the resources to fund this transaction.

The Board also has considered Central's plans for implementing the proposal. Central has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-integration process for this proposal. Star One would initially be a standalone depository institution subsidiary of Central following consummation of the proposal. Central has represented that it plans to submit an application to merge Star One into two of its subsidiary depository institutions, Central Bank of Lake of the Ozarks and The Central Trust Bank, following consummation of the proposal. Central would implement its risk-management policies, procedures, and controls at Star One, and these are considered acceptable from a supervisory perspective. In addition, Central's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner.

Based on all the facts of record, including Central's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, and the comments received on the proposal, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of Central and Star One in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[17] In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the Community Reinvestment Act ("CRA"). The CRA

[17] 12 U.S.C. § 1842(c)(2).

requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,[18] and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[19]

In addition, the Board considers the banks' overall compliance records and the results of recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, its marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of each of Central's subsidiary depository institutions and Star One, the fair lending and compliance records of each of the involved banks, the supervisory views of examiners, confidential supervisory information, information provided by Central, and the public comments received on the proposal.

Public Comments Regarding the Proposal

In this case, the Board received comments from commenters who objected to the proposal on the basis of alleged disparities in mortgage lending by one of Central's subsidiary depository institutions, Central Bank of the Midwest ("CBMW"), particularly in the number of home improvement and refinancing loans made to African American

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[18] 12 U.S.C. § 2901(b).

[19] 12 U.S.C. § 2903.

borrowers and borrowers in minority-populated LMI areas in the urban core of Kansas City, Missouri, as reflected in data reported under the Home Mortgage Disclosure Act ("HMDA") for 2011 to 2015. The commenters stated that CBMW has failed to adequately serve the needs of the communities in which it operates and does not adequately comply with the CRA, the Fair Housing Act, and the Equal Credit Opportunity Act.[20] The commenters also alleged that CBMW has not established any branches in or near any minority or LMI areas and that its lending in these areas is negligible; that CBMW's community development lending efforts have ignored certain minority communities within Kansas City; and that CBMW's small business lending in low-income tracts lags behind that of other banks in the area. The commenters indicated that they would support the application if Central would agree to take a series of steps, including designating a full-time urban loan originator,[21] establishing a branch within the urban core of Kansas City, and adopting certain community development and lending goals for the urban core of Kansas City.[22]

Businesses of the Involved Institutions and Response to Comments

Central controls 12 regional banks throughout Missouri and one bank in Oklahoma. Central's subsidiary depository institutions provide a broad range of retail and commercial banking products and services. Central's bank subsidiaries engage in significant commercial and industrial lending and offer an array of financing alternatives, such as revolving lines of credit, equipment and fixture financing, letters of credit, and

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[20] 42 U.S.C. §§ 3601-3619; 15 U.S.C. §§ 1691 et seq.

[21] The commenters subsequently acknowledged that CBMW already has established a full-time urban loan originator.

[22] The Board has consistently found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization. See, e.g., Wintrust Financial Corporation, FRB Order No. 2016-17 at 8 n. 19 (October 28, 2016); Huntington Bancshares Incorporated, FRB Order No. 2016-13 at 32 n. 50 (July 29, 2016); CIT Group, Inc., FRB Order No. 2015-20 at 24 n. 54 (July 19, 2015). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.

floor plan lines for automobile dealers. Central's subsidiary banks also provide treasury management services to commercial customers and wealth management, trust, and brokerage services.

Star One also offers a broad range of retail and commercial banking products and services. Star One's lending activities are primarily focused in real-estate-secured commercial lending.

Central asserts that its subsidiary depository institutions have consistently met the requirements of the CRA and that since CBMW was acquired by Central in 1993, CBMW has consistently received "Satisfactory" CRA ratings. Central states that CBMW has adopted community outreach initiatives to assess the needs of local LMI and minority communities and that the bank has made efforts to reach these segments of the population. Central further represents that CBMW markets its products to the entire Kansas City metro area, including the urban core, and has purposely directed some of its advertising to media that reach primarily minority audiences. Central also asserts that CBMW's "Home Turf Loan Program" was designed specifically for LMI individuals and is targeted to LMI census tracts within the bank's CRA assessment area. Central also argues that CBMW's officers and employees are actively engaged in outreach to areas throughout Kansas City and that CBMW has made significant investments in affordable housing projects in the Kansas City metro area. Central also represents that CBMW has created a full-time mortgage lending position with a focus on the LMI and minority-populated areas within the urban core of Kansas City.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the responses to comments by the applicant. In particular, the Board evaluates an institution's performance in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by the appropriate federal supervisors. [23]

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.[24] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test to evaluate the performance of a small insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's available HMDA data, automated loan reports, and other reports generated by the institution to assess the institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on the institution's loan-to-deposit ratio, loan originations for sale to the secondary market, lending-related activities in its assessment areas, record of engaging in lending-related activities for borrowers of different income levels and businesses and farms of different sizes, geographic distribution of loans, and record of taking action in response to written complaints about its performance.[25] Intermediate small banks are subject to the lending test, as well as a community development test that evaluates the number and amount of their community development

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[23] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48,506, 48,548 (July 25, 2016).

[24] 12 U.S.C. § 2906.

[25] See 12 CFR 228.26(b).

loans and qualified investments, the extent to which they provide community development services, and their responsiveness to community development lending, investment, and service needs.[26] Large institutions are subject to a lending test similar to that described above and an investment test that evaluates the number and amount of qualified investments that benefit their assessment areas. Large institutions are also subject to a service test that evaluates the availability and effectiveness of their systems for delivering retail banking services and the extent and innovativeness of their community development services.[27]

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.[28] Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution.

In this case, the Board considered the supervisory views of its supervisory staff and of examiners from the Federal Reserve Bank of Kansas City with respect to CBMW; the supervisory views of its supervisory staff and of examiners from the Federal Reserve Bank of St. Louis with respect to Central Bank of Lake of the Ozarks and The Central Trust Bank, which operate in the same banking markets as Star One; and the supervisory views of the Federal Deposit Insurance Corporation ("FDIC") with respect to Star One.

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[26] See 12 CFR 228.26(c).

[27] See 12 CFR 228.21 et seq.

[28] Other data relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

CRA and Consumer Compliance Performance of Central Bank of the Midwest

CBMW, which operates primarily in the Kansas City, Missouri, banking market, received an overall rating of "Satisfactory" at its most recent CRA performance examination by the Federal Reserve Bank of Kansas City, as of August 24, 2015 ("CBMW Evaluation").[29] CBMW received "High Satisfactory" ratings for both the lending test and the service test and a "Low Satisfactory" rating for the investment test.[30]

Examiners determined that the bank's lending activities reflected good responsiveness to the credit needs of its assessment area, and a high percentage of CBMW's loans were made inside its assessment area. The distribution of CBMW's loans to borrowers of different income levels and businesses of different revenue sizes was considered adequate. Examiners found that the bank made use of innovative and flexible lending programs to reach minority and LMI borrowers. Examiners noted that CBMW made a relatively high level of community development loans, including revitalization and stabilization loans in areas addressed in city revitalization plans and loans to support economic development, originated through the Small Business Administration. Examiners concluded that CBMW's total qualified investment activity remained adequate. Examiners further noted that the bank's investments demonstrated adequate responsiveness to community development needs. Examiners also found that CBMW's performance under the service test reflected a high level of qualified community development services within the bank's assessment area, including bank staff and officers providing financial expertise, personal financial checkups, home buyer

[29] The CBMW Evaluation was conducted using Large Bank CRA Examination Procedures, consisting of the lending test, the investment test, and the service test described above. The CBMW Evaluation reviewed HMDA loans and small business loans from January 1, 2013, through December 31, 2014. Examiners reviewed community development activities from August 13, 2013, through August 24, 2015.

[30] The CBMW Evaluation reviewed the bank's activities in Johnson County, Kansas and Jackson and Cass Counties, Missouri.

counseling, and small business training. Examiners noted CBMW's accessible delivery systems, reasonable business hours, and a neutral effect of branch openings and closings.

Concurrently with the CBMW Evaluation, examiners conducted a consumer compliance examination of CBMW. As part of this review, examiners reviewed CBMW's lending activity reported under HMDA and assessed the effectiveness of controls to mitigate fair lending risk. The Board has taken into consideration the results of this examination, including examiners' review of the bank's policies and procedures for fair lending and conclusion that the bank has well established, detailed policies and procedures.

CBMW's Efforts since the CBMW Evaluation

Central represents that, since the CBMW Evaluation, CBMW has made a number of community development loans and investments to support its assessment area and that CBMW continues to review and analyze opportunities to increase the level of applications and originations within LMI areas. Central represents that CBMW has hired a new Community Affairs Officer, who brings significant experience and knowledge of the challenges within Kansas City's urban core. Central further states that CBMW plans to enhance the bank's "Home Turf Loan Program," which is targeted to LMI communities, by significantly increasing outreach efforts throughout the community, including in the urban core of Kansas City.

CRA Performance of Central Bank of Lake of the Ozarks

Central Bank of the Lake of the Ozarks ("CBLO") received an overall rating of "Satisfactory" at its most recent CRA performance examination by the Federal Reserve Bank of St. Louis, as of August 10, 2015 ("CBLO Evaluation").[31] CBLO

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[31] The CBLO Evaluation was conducted using Intermediate Small Bank CRA Examination Procedures, consisting of the lending test and the community development test described above. The CBLO Evaluation reviewed 1-4 family residential real estate lending, small business lending, and consumer motor vehicle lending from January 1, 2014, to December 31, 2014, and community development activities from November 5, 2012, to August 10, 2015.

received “Satisfactory” ratings for both the lending test and the community development test.[32]

Examiners determined that the bank’s borrower profile revealed excellent penetration among borrowers of different income levels, including LMI borrowers, and businesses of different sizes. Examiners further found that the geographic distribution of the bank’s loans reflected reasonable dispersion throughout its assessment area. Examiners also noted that CBLO’s loan-to-deposit ratio was reasonable given its size, financial condition, and assessment area credit needs. Examiners noted that a substantial majority of the bank’s loans and other lending-related activities were in its assessment area. Examiners found that CBLO’s overall community development performance demonstrated adequate responsiveness to the community development needs of its assessment area, considering its capacity and the availability of opportunities for community development in its assessment area.

CBLO’s Efforts since the CBLO Evaluation

Central represents that, since the CBLO Evaluation, CBLO has made significant qualified investments in its assessment area. Central also represents that CBLO has increased its community development lending and that CBLO’s employees continue to offer their banking expertise through community development services by participating in local organizations that benefit LMI individuals.

CRA Performance of The Central Trust Bank

The Central Trust Bank (“Central Trust Bank”) received an overall rating of “Satisfactory” at its most recent CRA performance examination by the Federal Reserve Bank of St. Louis, as of July 18, 2016 (“Central Trust Bank Evaluation”).[33] Central Trust

[32] The CBLO Evaluation reviewed the bank’s activities in Camden, Miller, and Morgan counties, Missouri.

[33] The Central Trust Bank Evaluation was conducted using Large Bank CRA Examination Procedures, consisting of the lending test, the investment test, and the service test described above. The Central Trust Bank Evaluation reviewed HMDA loans, small business loans, and consumer motor vehicle loans from January 1, 2014, through

Bank received "High Satisfactory" ratings for each of the lending test, the investment test, and the service test.[34]

Examiners found that Central Trust Bank's lending levels reflected good responsiveness to assessment area credit needs and that a high percentage of the bank's loans were made within its assessment areas. Examiners noted that the bank's loan distribution reflected good penetration among borrowers of different income levels and businesses of different revenue sizes. Furthermore, examiners noted that the geographic distribution of loans reflected good penetration throughout Central Trust Bank's assessment areas, including LMI geographies. Examiners also found that Central Trust Bank made an adequate level of community development loans and that it made use of innovative and flexible lending practices in order to better serve the credit needs of its assessment areas. Examiners determined that the bank made a significant level of qualified community development investments and donations and was occasionally in a leadership position. Examiners found that the bank's delivery systems were accessible to geographies and individuals of different income levels in its assessment areas and that its record of opening and closing branches had not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. Examiners also found that Central Trust Bank provided a relatively high level of community development services within its assessment areas.

CRA Performance of Central's Other Subsidiary Banks

In addition to CBMW, CBLO, and Central Trust Bank, Central is the parent company of 10 other insured depository institutions. The Board also considered the reports of examination of the CRA performance and fair lending compliance records of

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December 31, 2015. Examiners reviewed community development lending activity from May 27, 2014, through July 18, 2016.

[34] The Central Trust Bank Evaluation reviewed the bank's activities in the Jefferson City, Missouri, metropolitan statistical area, consisting of Callaway, Cole, and Moniteau counties, Missouri. The Central Trust Bank Evaluation also included a limited-scope evaluation of Central Trust Bank's activities in Miller County, Missouri.

these other subsidiary depository institutions. Each of these institutions received a "Satisfactory" rating at its most recent CRA examination.

CRA Performance of Star One

Star One received an overall rating of "Satisfactory" at its most recent CRA performance examination by the FDIC, as of February 4, 2013 ("Star One Evaluation").[35] Examiners found that Star One's loan-to-deposit ratio reflected a reasonable willingness to provide credit given the bank's size, financial condition, and community credit needs. Examiners noted that a majority of the bank's loans were extended in its assessment areas. Examiners also found that Star One's overall borrower profile reflected a reasonable penetration to individuals of different income levels and to businesses of different revenue sizes, given the demographics of its assessment areas. Examiners also noted that the bank's geographic distribution of lending reflected a reasonable dispersion throughout its assessment areas.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Central represents that it would improve Star One's customers' access to banking products and services because it has a wider selection of products and services than those currently offered by Star One. For example, Central's subsidiary banks offer a full range of mortgage products through a mortgage service company affiliate, lockbox services, business internet banking with ACH and wire transfers, and the ability to make loan payments by telephone. Customers of Star One will also benefit from an expanded automated teller machine and branch network.

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[35] The Star One Evaluation was conducted using the Small Bank CRA Examination Procedures, consisting of the lending test described above. The Star One Evaluation reviewed the bank's HMDA data and small business loans originated from January 1, 2010, through December 31, 2011. The Star One Evaluation included reviews of the bank's activities in two separate assessment areas, one encompassing all of Callaway County, Missouri, and another consisting of Camden, Miller, and Morgan counties, Missouri.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA records of the relevant depository institutions involved, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Central, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

<u>Financial Stability</u>

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[36]

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[37] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's

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[36] Dodd-Frank Act §§ 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

[37] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.[38]

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, Central would have approximately $12.4 billion in consolidated assets and, by any of a number of alternative measures of firm size, would not be likely to pose systemic risks. The Board generally presumes that a proposal that involves an acquisition of less than $2 billion in assets, or results in a firm with less than $25 billion in total consolidated assets, will not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Central with all the conditions set forth in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the

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[38] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this Order or later than three months thereafter, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis acting pursuant to delegated authority.

By order of the Board of Governors,[39] effective February 8, 2017.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

[39] Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.