



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 22, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Chester National Bank
Charter # 23158

1112 State Street
Chester, Illinois 62233

Comptroller of the Currency

Fairview Heights Duty Station
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208

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.

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 **Chester National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 22, 1997**. This evaluation is based on information since the last CRA examination dated April 30, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Chester National Bank's CRA performance demonstrates:

- o A reasonable loan-to-deposit ratio.
- o A high percentage of loans are made in its assessment area.
- o The level of lending to borrowers of different income levels is satisfactory.
- o The geographic distribution of loans reflects unequal dispersion throughout the assessment area.

The following table indicates the performance level of Chester National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CHESTER NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans			X
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Chester National Bank (CNB) is a \$127 million financial institution with five full-service facilities in southern Illinois. CNB converted from a federal savings bank to a national bank in October 1996. CNB operates its main office in Chester, Illinois, which is located in Randolph County. Branch offices are located in Sparta, Red Bud, Pinckneyville, and Carbondale, Illinois. The Sparta and Red Bud branches are in Randolph County. The Pinckneyville office is in Perry County, and the Carbondale office is in Jackson County. CNB is wholly owned by Chester Bancorp, Inc., a two-bank holding company. Chester Bancorp, Inc. had total assets of \$146 million as of December 31, 1996.

The bank's primary loan products are residential mortgages. Residential mortgage loans are available for the purposes of purchase, refinance, or construction. In addition, home improvement loans are available. The loan portfolio mix as of March 31, 1997 is: 1-4 family residential real estate loans 79%, consumer installment loans 13%, nonresidential real estate loans 5%, and commercial loans 3%.

There are no financial or legal constraints which impede the bank's ability to meet the credit needs of its community. The bank has adequate resources to provide for the credit needs of its assessment area. The bank received a satisfactory rating at the last CRA examination dated April 30, 1996.

DESCRIPTION OF ASSESSMENT AREA

CNB has designated its assessment area as Randolph, Perry, and Jackson counties. The counties are located in a non-Metropolitan Statistical Area (MSA) of southern Illinois. The assessment area contains thirty Block Numbering Areas (BNAs) consisting of 2 low-income (7%), 5 moderate-income (17%), 20 middle-income (67%), and 3 upper-income (10%) BNAs.

According to the 1990 census, the population of the assessment area was 117,062. The 1990 median family income for the assessment area was \$28,482, and the 1997 non-MSA median family income for Illinois was \$37,600. Family incomes aggregated for the thirty BNAs indicated that 6,228 families or 22% were in low-, 4,986 or 18% were in moderate-, 6,015 or 22% were in middle-, and 10,550 or 38% were in upper-income categories. Local housing is 71% single family units of which 58% is owner occupied. The median housing value is \$43,650 with a median year built of 1964.

Economic conditions in Jackson County are good. The March 1997 unemployment rate for Jackson County was 5.3%. However, the closing of Spartan Printing Press in 1995 and the shutdown of several coal mines in the 1990's resulted in the loss of several hundred jobs in Randolph and Perry Counties. The two counties have not completely recovered from the adverse economic impact caused by these closings. As of March 1997, unemployment rates in Randolph and Perry Counties were 8.6% and 11.5%, respectively. By comparison, the March 1997

unemployment rate for Illinois was 5.3% and for the United States it was 5.6%. The major industry in the assessment area is government, with services and retail trade the next largest industries. Approximately 5% of the households are farmers. Major employers include Gilster-Mary Lee Corporation, Southern Illinois University, and the State of Illinois prison system. Bank management stated the primary credit needs of the assessment area are residential, agricultural, and consumer loans.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1997 state non-MSA median family income. Moderate income is defined as income that is at least 50%, but less than 80%, of the 1997 state non-MSA median family income. Middle income is at least 80%, but less than 120%, of the 1997 state non-MSA median family income. Upper income is income that is 120% or more of the 1997 state non-MSA median income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio:

The bank’s loan-to-deposit ratio is reasonable. The bank’s average quarterly loan-to-deposit ratio from March 31, 1996 to March 31, 1997 was 50%. The December 31, 1996 average loan-to-deposit ratio for all other financial institutions in CNB’s assessment area was 63%. A contributing factor to CNB’s lower ratio is the bank’s low level of loans to businesses and farmers. A substantial majority of the bank’s loans are home mortgage loans, which reflects the lending activity generated by a savings bank.

Lending in the Assessment Area:

Overall, CNB demonstrates good responsiveness to serving the credit needs of its assessment area based on the number and dollar amount of loans inside its assessment area. An analysis of 72 home mortgage loans originated between April 1, 1996 and March 30, 1997 indicated that 76% of the number and 72% of the dollar volume of these loans were made in CNB’s assessment area. The following table demonstrates that a high percentage of the home mortgage loan sample was made inside the assessment area.

Table A - Home Mortgage Loan Distribution Inside/Outside the Assessment Area (AA)

	# of Loans	% of Loans	Loan \$	% of Loan \$
<i>Loans inside the AA</i>	55	76%	\$2,681	72%
<i>Loans outside the AA</i>	17	24%	\$1,045	28%
<i>Total</i>	72	100%	\$3,726	100%

Dollars are in 000's

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

The level of home mortgage loans in CNB’s assessment area to persons with low- or moderate-income is satisfactory in relation to the percentage of low- or moderate-income families living in the assessment area (40%). A sample of 55 home mortgage loans originated between April 1, 1996 and March 31, 1997 were analyzed to determine the number of loans and dollar volume of loans made to the four income levels. The following table shows that 38% of the number of home mortgage loans and 30% of the dollar volume of mortgage loans were made to low- and moderate-income individuals in CNB’s assessment area.

Table B - Home Mortgage Loan Distribution by Borrower Income

	# of Loans	% of Loans	Loan \$	% of Loan \$
<i>Low income</i>	3	5%	\$178	7%
<i>Moderate income</i>	18	33%	\$624	23%
<i>Middle income</i>	15	27%	\$698	26%
<i>Upper income</i>	19	35%	\$1,181	44%
<i>Total</i>	55	100%	\$2,681	100%

Dollars are in 000's.

The bank also extends loans through the Rural Economic and Community Development Guaranteed Rural Housing Program, which is administered by the U.S. Department of Agriculture.

Geographic Distribution of Loans:

The geographic distribution reflects unequal dispersion of home mortgage loans to low- and moderate-income BNAs in relation to the percentage of low- and moderate-income BNAs in the assessment area (17%). An analysis of 55 home mortgage loans in CNB’s assessment area indicated that loans are concentrated in middle- and upper-income BNAs. Only 2 of the 55 loans were made in low- and moderate-income BNAs. The following table illustrates the number and dollar amount of home mortgage loans that were originated in the designated income level BNAs.

Table C - Loan Dispersion Throughout the Assessment Area

	# of Loans	% of Loans	Loan \$	% of Loan \$
<i>Low income</i>	0	0%	\$0	0%
<i>Moderate income</i>	2	4%	\$104	4%
<i>Middle income</i>	47	85%	\$2,123	79%
<i>Upper income</i>	6	11%	\$454	17%
<i>Total</i>	55	100%	\$3,727	100%

Dollars are in 000's.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a Fair Lending Examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No substantive violations of these antidiscrimination laws and regulations were identified.

Investments:

CNB invested \$2,000 in the Kaskaskia Trail Community Development Corporation (KTCDC) in March 1996. The \$2,000 is an initial investment out of a total subscription by the bank of \$75,000. The KTCDC is represented by several area financial institutions. The CDC will conduct economic development activities which will create and retain businesses, enhance the tax base, and provide housing opportunities for low- and moderate-income individuals. The CDC will provide both equity and debt financing, offer advisory services, and encourage public sector participation in economic development and housing projects.