

# **PUBLIC DISCLOSURE**

**November 3, 2003**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Egyptian State Bank  
17060**

**2 South Main Street  
Carrier Mills, Illinois 62917**

**Federal Deposit Insurance Corporation  
Division of Supervision and Consumer Protection  
500 West Monroe, Suite 3500  
Chicago, Illinois 60661**

**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 **The Egyptian State Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **November 3, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

The bank's rating is based upon the following factors.

- A review of residential real estate and business loans made and still outstanding in 2003 revealed 84 percent of the number and 79 percent of the dollar amount were made within the bank's assessment area.
- The bank has a reasonable dispersion of loans throughout the assessment area. Thirty percent in moderate-income tracts and seventy percent in middle-income tracts.
- A review of residential real estate loans indicated that the bank lends to borrowers of different incomes at a reasonable level. Specifically, 13 percent of the residential real estate loans were to low-income borrowers and 27 percent were to moderate-income borrowers.
- The bank's loan-to-deposit ratio is reasonable.
- All of the bank's business loans within the assessment area were small business loans.
- There have been no CRA complaints filed with the bank or the FDIC Regional Office since the last CRA evaluation.

## DESCRIPTION OF INSTITUTION

The Egyptian State Bank (ESB) operates with its main office in Carrier Mills, a full service branch in Creal Springs, and a limited service branch in Stonefort. Stonefort is only open three days a week and does not have a loan officer. Carrier Mills and Stonefort are located in Saline County and Creal Springs is in Williamson County. The two counties are located in southeastern Illinois and are in a non-metropolitan area. The bank has two automated teller machines, one at each full service branch. Since March 2001, the bank is owned by Midwest Community Bancshares, Inc, a two-bank holding company. As of June 30, 2003, the bank had total assets of \$40,313,000, total deposits of \$34,301,000, and total loans of \$14,734,000.

The bank offers various deposit accounts, including NOW accounts, senior citizen accounts, money market accounts, savings accounts and certificates of deposit of various maturities. Loan products include residential real estate loans, long term fixed-rate real estate loans sold on the secondary market, home equity lines of credit, farm loans, commercial loans and consumer loans for automobiles, boats, and other consumer purposes.

As shown in Table 1, the bank's primary business lines are residential real estate lending, commercial real estate and commercial and industrial loans. These three loan types comprise 75 percent of the bank's loan portfolio as of June 30, 2003.

<b>Table 1 - Loan Distribution as of 6/30/2003</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	0	0
Secured by Farmland	262	2%
1-4 Family Residential	6,623	45%
Multi-Family (5 or more) Residential	0	0
Commercial	2,173	14%
<b>Total Real Estate Loans</b>	<b>9,058</b>	<b>61%</b>
Commercial and Industrial	2,350	16%
Agricultural	111	1%
Consumer	3,210	22%
Other	5	0
<b>Total Loans</b>	<b>14,734</b>	<b>100%</b>

*Source: Report of Condition*

No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community. ESB's last evaluation dated November 23, 1998 used small bank procedures and was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

ESB's assessment area consists of Saline County and one census tract in Williamson County. Both counties are contiguous and are not located in a metropolitan area. The assessment area contains seven middle-income census tracts and three moderate-income census tracts. The main office is located in Saline County in tract 9561. The Creal Springs and Stonefort branches are located in Williamson County in tract 0208. All three towns are in the southern portions of their counties. Stonefort is located on the county line between Saline and Williamson Counties.

Saline County is divided into 9 tracts. In the center of the county are three tracts that contain Harrisburg (population 9,860): 9558, 9559, and 9560. Eldorado (population 4,534) is located in tracts 9551 and 9555, which are in the northeast corner of the county. Tract 9556 contains Raleigh (population 330) and rural Eldorado and Harrisburg. Tract 9557 contains Galatia (population 1,013) and rural Harrisburg. Tract 9561 contains Carrier Mills (population 1,886) and rural Harrisburg. Tract 9562 is the southern half of the county and it contains Muddy (population 78), rural Harrisburg, a small portion of Carrier Mills, and a portion of Stonefort (population 292). The moderate-income tracts are 9555 (Eldorado), 9558 (Harrisburg), and 9559 (Harrisburg).

Tract 0208 is the eastern portion of Williamson County. The tract contains Pittsburg (population 575), Creal Springs (population 702), and a portion of Stonefort (population 292). Most of the tract is rural Marion.

In Saline County there are nine banks with fifteen offices. There are three banks in Eldorado, five banks in Harrisburg, one bank in Galatia, and one bank in Carrier Mills. There are fourteen banks with 30 offices in Williamson County; however, there are only ESB's branches in tract 0208.

According to the Bureau of Labor Statistics, the unemployment rates for Saline County and Williamson County were 7.6 percent and 5.5 percent, respectively for the second quarter of 2003. The Illinois rate was 6.2 percent and the United States rate was 6.0 percent for the same quarter in 2003. A community contact stated that there is no shortage of jobs in the area but that the wages have dramatically decreased when the coal mines closed.

Table 2 shows specific demographic information for the assessment area.

<b>Table 2 – Demographics for the Assessment Area</b>	
	<b>Assessment Area</b>
Population	33,167
<u>Statewide MSA Median Family Income:</u>	
2001 Estimated Median Family Income*	\$44,900
2002 Estimated Median Family Income*	\$46,700
2003 Estimated Median Family Income*	\$48,200
<u>Percentage of Families by Income Level of Family:</u>	
Low-Income	23%
Moderate-Income	21%
Middle-Income	25%
Upper-Income	32%
<u>Number of Total Housing Units:</u>	
1-4 Family Residential	12,129
Multi-Family	500
Mobile Home or Trailer	2,380
Other	15
Owner-Occupied Housing Units	10,617
Rental Housing Units	2,846
Vacant Housing Units	1,561
<u>Percentage of Total Housing Units:</u>	
1-4 Family Residential	81%
Multi-Family	3%
Mobile Home or Trailer	16%
Other	0%
Owner-Occupied Housing Units	71%
Rental Housing Units	19%
Vacant Housing Units	10%
<u>Median Housing Characteristics:</u>	
Median Age in Years	37
Median Home Value	\$52,190
Median Gross Rent	\$347

Source: 2000 U.S. Census. \*-This figure is based on estimates from the Department of Housing and Urban Development (HUD) for the non- metropolitan areas of Illinois.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Scope of the Evaluation**

CRA performance at small banks (less than \$250,000,000 in total assets) is evaluated based on the following criteria:

1. Lending in the assessment area
2. Geographic distribution of loans within the assessment area
3. Lending to borrowers of different incomes
4. Net loan-to-deposit ratio
5. Response to consumer complaints

To evaluate the bank's CRA performance, commercial and industrial, commercial real estate, and residential real estate loans originated year-to-date 2003 were analyzed. These loan types comprise 75 percent of the loan portfolio as of June 30, 2003. For purposes of this analysis, commercial and industrial loans and commercial real estate loans will be combined and referred to as "business loans". The "review period" will refer to year-to-date 2003.

### **Sampling Procedures Performed:**

An electronic file of the bank's loan portfolio, as of August 26, 2003, was obtained from the bank and used to determine the universe of loans to be analyzed during this evaluation. The universe consists of all residential real estate and business loans originated by the bank during the review period. For lending inside the assessment area, all business and residential real estate loans originated during the review period were analyzed. For lending to borrowers of different incomes, all residential real estate loans located within the assessment area were sampled. Business loans made within the bank's assessment area for the review period were used to determine lending to businesses of different size. Geographic distribution analysis used all business and residential real estate loans that could be successfully located and identified as originated inside the bank's assessment area.

### **Lending in Assessment Area**

The bank's record of lending is good, with a majority of residential real estate and business loans being granted within the assessment area by number and dollar volume. Table 3 reflects the bank's assessment area concentration for residential real estate and business loans that could be geocoded.

<b>Table 3 – Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Residential RE 2003	18	90%	2	10%	20	\$943,056	92%	\$80,000	8%	\$1,023,056
Business 2003	9	75%	3	25%	12	\$1,746,200	73%	\$652,988	27%	\$2,399,188
<b>Total</b>	<b>27</b>	<b>84%</b>	<b>5</b>	<b>16%</b>	<b>32</b>	<b>\$2,689,256</b>	<b>79%</b>	<b>\$732,988</b>	<b>21%</b>	<b>\$3,422,244</b>

Source: Bank Data

The bank has originated 31 residential real estate loans in 2003; however, only 20 could be geocoded. Of the 11 not geocoded, 5 were in Stonefort, 4 were in Creal Springs, and one was in Harrisburg. These 10 would have been in the assessment area if the address could be located by the mapping software.

The bank has originated 17 business loans in 2003; however, 5 could not be geocoded. Of the 5 not geocoded, 3 were in Carrier Mills and 2 were in Harrisburg. These 5 would have been in the assessment area if the address could be located by the mapping software.

### **Geographic Distribution of Loans**

The dispersion of loans throughout the assessment area is considered good given the bank's location in relation to the moderate-income tracts.

This analysis was done using the 27 residential real estate and business loans located inside the bank's assessment area.

<b>Table 4 - Distribution of 2003 Residential RE and Business Loans</b>					
<b>Census Tract Classification</b>	<b>Residential RE Loans</b>		<b>Business Loans</b>		<b>Total #</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	
Moderate-income	5	\$128,497	3	\$385,100	8
Middle-income	13	\$814,559	6	\$1,361,100	19
<b>Total</b>	<b>18</b>	<b>\$943,056</b>	<b>9</b>	<b>\$1,746,200</b>	<b>27</b>

Thirty percent (3/10) of the tracts in the assessment area are moderate-income which compares favorably to the 30 percent (8/27) loans within the moderate-income tracts.

## **Lending to Borrowers of Different Incomes and Businesses of Different Size**

The bank's performance in lending to borrowers of different incomes is acceptable. Loans secured by residential real estate and business loans made within the assessment area were used for this analysis. Loans originated in 2003 and still outstanding were analyzed. Income was found for 15 of the 18 residential real estate loans to determine the income of the borrowers. For business loans, the 9 loans that were located in the assessment area were used to determine lending to businesses of different size.

Borrowers' incomes for residential real estate loans are classified as low-, moderate-, middle-, and upper-income categories according to the Department of Housing and Urban Development's estimated statewide non-metropolitan median family income (MFI) in the year in which the loans were originated. These incomes are shown in Table 2. Low-income borrowers have gross incomes less than 50 percent of the MFI. Moderate-income borrowers have gross incomes greater than or equal to 50 percent and less than 80 percent of the MFI. Middle-income borrowers have gross incomes greater than or equal to 80 percent and less than 120 percent of the MFI. Upper-income borrowers have gross incomes greater than or equal to 120 percent of the MFI.

The distribution of real estate loans by borrower income levels appears low for low-income families in comparison to the percentages of total families in the assessment area, as shown in Table 5. The low-income family figure needs to be adjusted to account for families living below the poverty level. Ten percent of low-income families are classified as living below the poverty level within the assessment area. A low-income family living below the poverty level can not afford a house payment, taxes, and insurance on the median valued home (\$52,190) in the assessment area. Thus, when the percentage of low-income families living below the poverty level is subtracted from the percentage of low-income families in the assessment area, the percentage of lending to low-income families is equal to the percentage of low-income families that could afford a mortgage loan.

The bank's lending to moderate-income borrowers exceeds the percentage of moderate-income families in the assessment area, as shown in Table 5.

Median Family Income Level	Percent of Total Families in Assessment Area	2003	
		#	%
Low	23%	2	13%
Moderate	21%	4	27%
Middle	25%	8	53%
Upper	32%	1	7%
Total	100%	15	100%

ESB's lending to businesses of different sizes is considered acceptable. It has been determined that loan size is a proxy for business size when reviewing commercial loans. In this analysis loans coded as business loans for year-to-date 2003 located within the bank's assessment area were sorted by loan size to determine if the bank is lending to businesses of different sizes. The definition of a small business loan is a loan with an original amount of \$1 million or less. It was determined that all of ESB's business loans within the assessment area were to small businesses, as shown in Table 6.

<b>Table 6 – Distribution of Small Business Loans by Loan Size</b>		
Loan Size (000s)	<b>2003</b>	
	#	\$
≤ \$100	5	\$71,150
> \$100 to ≤ \$250	2	\$375,050
> \$251 to ≤ \$500	1	\$500,000
> \$501 to ≤ \$1,000	1	\$800,000
Total	9	\$1,746,200

Source: Bank Data

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable. The bank's average loan-to-deposit ratio is 40 percent based on the 19 quarters since the prior evaluation. As shown in Table 7, loans declined between year-end 2000 and year-end 2001. This reduction was due to the purchase of the bank by the holding company. When the holding company purchased the bank it bought all the loans except the participations that the bank had with its old affiliate bank. Since the purchase of the bank by Midwest Community Bancshares, Inc. loans have steadily increased.

<b>Table 7 - Lending Activity and Liquidity Ratios</b>					
	<b>12/31/99</b>	<b>12/31/00</b>	<b>12/31/01</b>	<b>12/31/02</b>	<b>06/30/03</b>
Balance of Net Loans and Leases (in 000's)	\$7,356	\$17,557	\$13,096	\$14,131	\$14,519
Ratio of Net Loans and Leases to Deposits	35.39%	52.55%	35.85%	40.94%	42.33%
Ratio of Net Loans and Leases to Total Assets	30.47%	45.16%	32.52%	36.42%	36.02%

Source of Information: Uniform Bank Performance Reports and Reports of Condition

The bank has also generated \$851,700 in loans that were sold on the secondary market during the review period. If the bank had retained these loans the loan-to-deposit ratio would be higher.

### **Response to Consumer Complaints**

Since the prior evaluation on November 23, 1998, the bank has received no written complaints concerning its Community Reinvestment Act performance.

### **Compliance with Anti-Discrimination Laws and Regulations**

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the evaluation.