

PUBLIC DISCLOSURE

December 8, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**State Bank of Auburn
Certificate #15859
200 5th Street
Auburn, IL, 62615**

**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 **State Bank of Auburn** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 8, 2004**. 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.

- A majority of originated loans are made within the assessment area.
- The bank has a good record of funding low- and moderate-income residential real estate loans and small business loans.
- The net loan-to-deposit ratio is reasonable given the bank's size, competition, and the credit needs of the assessment area.
- The bank has demonstrated a good record of originating residential loans throughout its assessment area, including the two moderate-income tracts.
- There have been no CRA complaints filed with the bank or the FDIC Regional Office since the prior CRA evaluation.

DESCRIPTION OF INSTITUTION

State Bank of Auburn, Illinois, a retail bank with total assets of \$86,255,000 as of September 30, 2004, is wholly-owned by United Community Bancorp, Inc., a multi-bank holding company. As of September 30, 2004, gross loans totaled \$32,465,000 and total deposits were \$61,733,000. The bank operates from one full service office and two drive-up facilities, all located in the town of Auburn. State Bank of Auburn offers a variety of residential, consumer, agricultural, and commercial loan products. Residential loans retained by the bank are offered with both fixed and adjustable rate terms. A variety of long-term, fixed-rate residential loans are offered with maturities up to 30 years. The bank's two largest loan products in terms of dollar amount are residential real estate loans and commercial loans, which accounted for approximately 73 percent of gross loan balances as of September 30, 2004. Deposit products include regular checking, passbook savings, money market, Christmas Club savings, certificates of deposit, IRAs, and NOW accounts. **Table 1**, below, depicts the institution's loan portfolio as of September 30, 2004.

Table 1

Loan Type	Dollar Amount (000s)	Percent of Total Loans
<i>LOANS SECURED BY REAL ESTATE</i>		
Construction and Land Development	\$1,723	5%
Secured by Farmland	\$3,438	11%
Open-end Lines of Credit	\$299	1%
Secured by First Liens	\$9,480	29%
Secured by Junior Liens	\$2,307	7%
Secured by multifamily residential properties	\$581	2%
Secured by nonfarm nonresidential properties	\$9,227	28%
Loans to Finance Agricultural production and other loans to Farmers	\$654	2%
Commercial & Industrial Loans	\$1,977	6%
Loans to Individuals for Household, Family, and Personal	\$1,650	5%
All other Loans and Leases (exclude consumer loans)	\$1,129	4%
TOTAL LOANS	\$32,465	100%

Source: Consolidated Report of Condition and Income-September 30, 2004.

No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community. The last Community Reinvestment Evaluation conducted as of January 11, 1999 resulted in an “Outstanding” rating.

DESCRIPTION OF ASSESSMENT AREA

State Bank of Auburn has designated 10 tracts in Sangamon, Macoupin, Morgan, and Montgomery Counties as its assessment area. The five tracts in Sangamon County are part of the Springfield Metropolitan Statistical Area (MSA). Effective January 1, 2004, Macoupin County was added to the St. Louis MSA. The two tracts in Morgan and Montgomery Counties are not located in an MSA. The Department of Housing and Urban Development (HUD) categorizes individual census tracts as either low-, moderate-, middle-, or upper-income based upon the individual geography’s Median Family Income (MFI) as a percentage of the MSA MFI or Illinois state non-metropolitan MFI, as applicable. In 2003 all ten tracts (both MSA and non-MSA) were designated as middle-income tracts. Following inclusion of Macoupin County in the St. Louis MSA in 2004, tract numbers 9560 (Virden) and 9562 (Modesto) were categorized as moderate-income tracts. All other tracts in the assessment area remained middle-income in 2004. The area selected is in conformance with CRA requirements and does not arbitrarily exclude low- and moderate- income geographies.

The assessment area is predominately rural in nature and heavily dependent upon agriculture and related industries. The largest non-farm employers in the assessment area include the retail trade and service industries. Communities in the assessment are largely considered bedroom communities of Springfield (pop. 113,586), which is approximately 15 miles north of Auburn. A large number of assessment area residents commute daily to work in Springfield. According to the Illinois Department of Employment Security, the unemployment rate as of October 2004 was 4.9 percent for Sangamon County. This percentage has generally remained steady in recent years, and compares with an overall State of Illinois rate of 5.5 for the same period. Additional data regarding assessment area demographics as compared to the Springfield MSA is presented in **Table 2**, on the following page.

Table 2

Demographic & Economic Data of the AA Compared with Springfield, IL MSA		
	Assessment Area	MSA #4410
Population	40,202	201,437
Median Family Income:		
2000 Median Family Income	\$50,990	\$53,573
2004 Estimated Median Family Income(*)	N/A	\$60,300
Percentage of Families by Income Level of Family:		
Low-Income	16%	19%
Moderate-Income	21%	19%
Middle-Income	27%	24%
Upper-Income	36%	38%
Families Below the Poverty Level	5%	7%
Percentage of Total Housing Units:		
Owner-Occupied Housing Units	75%	65%
Rental Housing Units	19%	27%
1-4 Family Residential	89%	82%
Multi-Family	2%	12%
Mobile Home or Trailer	9%	6%
Median Housing Characteristics:		
Median Age in Years	34	31
Median Home Value	\$83,201	\$87,900
Median Gross Rent	\$488	\$501

Source: 2000 U.S. Census. *Based on estimates from the Department of Housing and Urban Development (HUD) for the Springfield, IL MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of the Evaluation:

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

- Lending in the assessment area
- Lending to borrowers of different income levels and to businesses of different sizes
- Geographic distribution of loans within the assessment area
- Loan-to-deposit ratio
- Response to consumer complaints

Sampling Procedures Performed

To evaluate the bank's CRA performance, residential real estate and commercial loans originated during 2003 and year-to-date 2004 were reviewed. Residential real estate and commercial loans accounted for 73 percent of outstanding loan balances as of September 30, 2004.

State Bank of Auburn, and most other residential mortgage lenders with offices in the Springfield MSA, are subject to certain reporting requirements provided for by the Home Mortgage Disclosure Act (HMDA). Specifically, information regarding property location, borrower race and sex, and borrower income must be recorded relative to all residential mortgage loan applications received. Loans reported pursuant to HMDA data collection requirements for 2003 and year-to-date 2004 were analyzed to evaluate the bank's performance for the current evaluation period. The bank's performance during these periods is representative of the bank's lending performance since the prior evaluation.

Commercial Loans were selected as a second loan product to review. Because the bank's commercial lending activity is low in comparison to its volume of residential lending, all commercial loans originated during calendar year 2003 and year-to-date 2004 were included in the analysis. Also because of the comparatively low volume of commercial lending, less weight is given to this loan product in the overall evaluation.

Lending in the Assessment Area:

The bank's record of lending in its assessment area reflects a reasonable concentration of loans in the assessment area. Specifically, 66 percent of the number and 62 percent of the dollar amount of sampled loans were made within the assessment area. Complete data showing the distribution of loans inside and outside the assessment area is contained in **Table 3**, below.

Table 3 - Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2003	84	66%	44	34%	128	\$6,112	67%	\$3,071	33%	\$9,183
2004	22	65%	12	35%	34	\$1,683	74%	\$588	26%	\$2,271
Subtotal	106	65%	56	35%	162	\$7,795	68%	\$3,659	32%	\$11,454
Small Business										
2003	12	57%	9	43%	21	\$2,208	38%	\$3,652	62%	\$5,860
2004	13	76%	4	24%	17	\$3,548	67%	\$1,115	33%	\$4,663
Subtotal	25	66%	13	34%	38	\$5,756	55%	\$4,767	45%	\$10,523
Total *	131	66%	69	34%	200	\$13,551	62%	\$8,426	38%	\$21,977

Source: HMDA LAR (2003, 2004), Bank Records. * May not add to 100% due to rounding.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes:

To determine the distribution of lending to borrowers of different incomes, borrowers' incomes are classified as low-, moderate-, middle-, or upper-income. Those categories are calculated by using the HUD estimated MFI for the MSA or Non-MSA, as applicable. The definitions in **Table 4**, below, show the divisions of income for the Springfield MSA for both years reviewed. The Illinois non-metropolitan MFI of \$48,200 and \$49,000 for 2003 and 2004, respectively, was used to categorize loans originated in the Montgomery and Morgan County tracts. The resulting data presented in **Table 4** consolidates both MSA and non-MSA loans as the bank's lending in the non-MSA tracts is limited and a distinction would not be meaningful to the overall analysis.

Table 4

Income Level	Percent of MFI	Income Range 2003	Income Range 2004
Low	Less than 50%	< \$29,250	< \$30,150
Moderate	50% to < 80%	\$29,251 - < \$46,800	\$30,151 - < \$48,240
Middle	80% to < 120%	\$46,801 - < \$70,200	\$48,241 - < \$72,360
Upper	120% and Over	\$70,201 and above	\$72,360 and above

Source: U.S. 2000 Census and HUD

Residential Real Estate Loans

Overall, the bank's record of lending to borrowers of different income levels is considered good. The distribution of residential loans, as reflected in **Table 5**, on the following page, reflects a distribution closely approximating the comparable percentage of assessment area families in each of the income categories. The bank's lending to low-income families is somewhat lower than the comparative percentage of assessment area families. As a point of comparison, the adjusted level of low-income families in the assessment area is 11 percent. (The adjusted level of low-income families in the assessment area is calculated by taking the total percentage of 16 percent and deducting the 5 percent of the families that report incomes below poverty level.) Thus, the bank's record of lending to low-income borrowers is just slightly below the adjusted level of low-income families in the assessment area and is considered to be an acceptable record. The bank's lending record to moderate-income families is marginally below the comparable percentage of families, but is considered adequate.

Table 5 – Distribution of HMDA Loans by Income Category of the Borrower in the Assessment Area								
Borrower Income Level	% of Families in AA	Aggregate Lending Data (% of #)	2003		2004		Total	
			2003	#	%	#	%	#
Low	16%	8%	7	8%	1	5%	8	8%
Moderate	21%	19%	13	16%	4	18%	17	16%
Middle	27%	28%	24	29%	9	41%	33	31%
Upper	36%	37%	38	45%	7	32%	45	42%
NA		9%	2	2%	1	5%	3	3%
Total *	100%	100%	84	100%	22	100%	106	100%

Source: U.S. Census (2000); HMDA LARs (2003 & 2004), and HMDA Aggregate Data (2003)

* May not add to 100% due to rounding.

Commercial Loans

The bank's performance in providing loans to small businesses was analyzed using loan amount as a proxy for business size. In general, small businesses typically demand smaller dollar loans, as it is often difficult for such businesses to service larger dollar amounts of debt. Thus, the bank's record of making business loans in smaller dollar sizes is an indication of its performance in lending to small businesses. The definition of small business loans used for CRA purposes is defined in the *Consolidated Report of Condition and Income* as "loans secured by non-farm non-residential properties, and commercial and industrial loans" that have original amounts of \$1,000,000 or less.

As reflected in **Table 6**, below, State Bank of Auburn has a good record of serving the assessment area through small business loans. Fully 48 percent of the number of sampled commercial loans were in denominations of less than \$100,000.

Table 6 - Distribution of Commercial Loans by Loan Amount				
Loan Amount	Number of Loans	Percent of Number	Dollar Amount of Loans \$ (000)	Percent of Dollar Amount
< \$25,000	9	36%	\$95	2%
\$25,000 < \$50,000	1	4%	\$30	1%
\$50,000 < \$100,000	2	8%	\$991	17%
\$100,000 and over	13	52%	\$4,640	81%
Totals	25	100%	\$5,756	100%

Source: Bank data. * May not add to 100% due to rounding.

Geographic Distribution of Loans:

Residential Real Estate Loans

Overall, the geographic distribution of sampled loans is considered good in view of the location of the bank's offices and area demographics. Residential loans were further analyzed to determine their distribution throughout the assessment area. As noted earlier, Macoupin County was added to the St. Louis MSA in 2004. As a result, two assessment area tracts were reclassified from middle-income to moderate-income for 2004. The tracts include the town of Virden and rural northwestern Macoupin County, including the towns of Modesto, Scottville, and Hettick. As shown in **Table 7**, below, the geographic distribution of residential loans reflects a good distribution throughout the assessment area, including the two moderate-income tracts in 2004.

Census Tract Income Level	% Total Owner-Occupied Housing Units	2003		2004		Total	
		#	%	#	%	#	%
		Moderate	15%	NA	NA	2	9%
Middle	85%	84	100%	20	91%	104	98%
Total	100%	84	100%	22	100%	106	100%

Source: U.S. Census (1990); HMDA LARs (2003 & 2004)

Commercial Loans

The geographic distribution of commercial loans is considered adequate given the bank's office locations and area demographics. As reflected in **Table 8**, below, all 25 commercial loans in the assessment area were originated to borrowers in middle-income tracts, which account for 83 percent of assessment area businesses. Considering that 2004 is the only year for which the bank's assessment area had any moderate-income tracts, and only 13 loans were included in the analysis, the absence of loans in the two moderate-income tracts is not of concern.

Census Tract Income Level	% Total Number of Businesses	2003		2004		Total	
		#	%	#	%	#	%
		Moderate	17%	NA	NA	0	0%
Middle	83%	12	100%	13	100%	25	100%
Total	100%	12	100%	13	100%	25	100%

Source: 2002 Dun & Bradstreet business data; Bank Records

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio is reasonable given the bank's size, competition, and the credit needs of the assessment area. The average net loan-to-deposit ratio is 58 percent over the last 23 quarters from March 31, 1999, to September 30, 2004. The ratio has steadily declined over the period and stood at approximately 52 percent as of September 30, 2004. **Table 9**, below, reflects the ratio's trend over the past four years. The decline has resulted primarily from the refinancing of in-house residential loans with long-term, fixed-rate residential loans which the bank sells into the secondary market. The bank originated 100 such loans totaling approximately \$8.2 million during the review period.

Table 9 - Lending Activity and Liquidity Ratios				
	09/30/2001	09/30/2002	09/30/2003	09/30/2004
Balance of Net Loans and Leases (in 000's)	\$39,381	\$32,860	\$33,207	\$32,000
Balance of Total Deposits (in 000's)	\$58,620	\$66,435	\$62,187	\$61,733
Ratio of Net Loans and Leases to Deposits	67%	50%	53%	52%

Source: Consolidated Report of Condition and Income.

Response to Consumer Complaints:

No complaints have been received by the bank or the FDIC Regional Office regarding the bank's Community Reinvestment Act performance since the prior evaluation on January 11, 1999.

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.