



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 16, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Chester National Bank of Missouri
Charter Number 23159**

**1010 North Main Street
Perryville, MO 63775**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103**

NOTE: This document is an evaluation of this 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. 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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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The level of lending to low- and moderate-income individuals shows satisfactory penetration based on the demographics of the community and credit needs of the assessment area (AA).
- The bank's level of lending is good. The bank's average loan-to-deposit ratio is 127% and compares favorably to similarly situated area banks.
- A majority of the bank's loans were made in the AA.

DESCRIPTION OF INSTITUTION

Chester National Bank of Missouri (CNBM), located in Perryville, Missouri, operates out of one office. The bank is owned and operated by Chester Bancorp, Inc., a two-bank holding company. The bank operates a depository automated teller machine (ATM) out of its office, as well as two non-depository stand-alone ATMs in the towns of Jackson, Missouri, and Herculaneum, Missouri. As of September 30, 2002, the bank's assets totaled \$10 million. There have been no changes in the bank's corporate structure since the last CRA evaluation. Management has not closed any branches subsequent to the last CRA evaluation.

CNBM offers a full range of retail and commercial banking products normally associated with a small community bank. CNBM is primarily a residential real estate lender. As of September 30, 2002, net loans totaled approximately \$5 million, representing 50% of total assets. The composition of the loan portfolio included 92% residential real estate, 4% commercial, 1% agriculture, and 3% consumer loans.

There are no legal or financial impediments to the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. CNBM's last CRA evaluation was May 22, 1997, and we rated the bank "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

Management has designated its AA as Perry County, which includes Block Numbering Areas (BNAs) 9701, 9702, 9703, 9704, and 9705. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. The bank is located in BNA 9703. During the year 2000 only, CNBM's AA also included all of Cape

Girardeau County, Missouri (16 BNAs). When dealing with data specific to the year 2000, the expanded AA, consisting of Perry and Cape Girardeau Counties, is considered.

Perry County is a non-Metropolitan Statistical Area (non-MSA). Based on the State of Missouri non-MSA median family income, two BNAs or 40% are classified as middle-income and three BNAs or 60% are classified as high-income. When considering year 2000 data, it should be noted that Cape Girardeau County is also a non-MSA. Based on the State of Missouri non-MSA median family income, one BNA or 6% is classified as moderate-income, six BNAs or 38% are classified as middle-income, and nine BNAs or 56% are classified as high-income.

As of the 1990 census, the population in the bank's current AA (Perry County) totaled 16,648, which included 4,512 families. Of these families, 14% were classified as low-income, 13% as moderate-income, 23% as middle-income, and 50% as upper-income. The non-MSA statewide median family income as of the 1990 census was \$24,324. The 2002 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$39,600.

The 1990 census demographic data for the current AA shows that 18% of the population is age 65 and over, 13% of households are in retirement, and 14% of households live below the poverty level. The median housing value is \$44,618 and the median age of the housing stock is 39 years. Owner-occupied units represent 72% of the housing stock, with 84% being 1-4 family units.

Manufacturing, services, and retail trade businesses primarily support the local economy. Perryville is considered a "bedroom" community, as many of the local residents commute to the larger cities for employment. Major employers in this AA are Gilster-Mary Lee, TG (USA) Corporation, and Solar Communications, Inc. Bank management identified fixed-rate residential real estate loans as the primary credit need of the AA.

Economic conditions in Perry County continue to be good. As of November 2002, the unemployment rate in Perry County is 2.9%. The state unemployment rate is 4.8% and the national rate is 5.7% for the same period.

Competitive pressures are strong and come primarily from larger financial institutions located in the town of Perryville, Missouri. CNBM is one of six financial institutions in Perryville. There are approximately eleven offices of seven different banks operating in CNBM's AA. This number does not include the sundry credit unions, mortgage companies, farm services, and insurance company offices that now offer loan products.

To further our understanding of the community's credit needs, we performed one community contact with a local government official. Our contact identified residential real estate loans as the primary credit need of the community. The community contact feels that CNBM, as well as other local financial institutions in the community, are dedicated to meeting this need. Our contact did not identify any unmet credit needs and knows of no other community development or other credit-related projects available at this time for participation by local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

CNBM does a satisfactory job of meeting the credit needs of its AA, including those of low- and moderate-income people.

Lending to Borrowers of Different Incomes

The bank's lending distribution to borrowers of different income levels is adequate.

CNBM's primary loan product is residential real estate loans. Residential real estate loans comprise the largest portion of the loan portfolio by dollar and by number.

Using only loans made in the AA, we reviewed all residential real estate loans originated from January 1, 2000, through September 30, 2002. The facts and data used to evaluate CNBM's lending activity are presented in the following tables. During 2000 only, CNBM's AA included Cape Girardeau County, Missouri, in addition to Perry County, Missouri. Table 1 covers all loans made January 1, 2001, through September 30, 2002, in the present AA, which consists of Perry County only. Table 2 covers all loans made January 1, 2000, through December 31, 2000, in the designated AA at that time (Perry and Cape Girardeau Counties).

**Distribution by Borrower Income Level
1-4 Family Residential Real Estate Loans
January 1, 2001 – September 30, 2002
AA - Perry County**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	2	11%	8	1%	14%
<i>Moderate Income</i>	3	17%	255	22%	13%
<i>Middle Income</i>	5	28%	325	28%	23%
<i>Upper Income</i>	8	44%	571	49%	50%

**Distribution by Borrower Income Level
1-4 Family Residential Real Estate Loans
January 1, 2000 – December 31, 2000
AA - Perry County and Cape Girardeau County**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	1	3%	22	1%	14%
<i>Moderate Income</i>	3	9%	162	7%	13%
<i>Middle Income</i>	9	28%	397	17%	20%
<i>Upper Income</i>	19	60%	1,798	75%	53%

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans in its AA would not be meaningful.

The bank's present AA consists of five BNAs, none of which are classified as low- or moderate-income geographies. In 2000, when the AA included Cape Girardeau County, there were 21 BNAs in the AA. This AA included no low-income geographies and only one moderate-income geography. Due to the length of time since the AA included Cape Girardeau County and because, even then, the level of low- and moderate-income geographies was very limited, we did not perform an analysis of the geographic distribution of loans.

Loan-to-Deposit Ratio

CNBM's loan-to-deposit ratio is good, but the bank has experienced loan run-off given a large number of refinancings and strong rate competition in the market. As of September 30, 2002, the bank's loan-to-deposit ratio was 79%. CNBM's quarterly average loan-to-deposit ratio since the 1997 CRA evaluation was 127%. This compared favorably to three competing banks in the area whose quarterly average ratios ranged from 60% to 82%. Bank management identified these four banks and felt they were similarly situated due to their size and because they had limited branching networks.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the bank's residential real estate loans originated since the last CRA evaluation were made in the AA. The facts and data used to evaluate CNBM's lending activity in and out of the AA are presented in the following tables. As noted previously, during 2000 only, CNBM's AA included Cape Girardeau County, Missouri, in addition to Perry County, Missouri. Table 1 covers all loans made January 1, 2001, through September 30, 2002, in the present AA, which consists of Perry County only. Table 2 covers all loans made January 1, 2000, through December 31, 2000, in the designated AA at that time (Perry and Cape Girardeau Counties).

**In/Out Analysis
1-4 Family Residential Real Estate Loans
January 1, 2001 – September 30, 2002
AA - Perry County**

	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans
<i>Loans in AA</i>	18	75%	982	74%
<i>Loans out of AA</i>	6	25%	338	26%

**In/Out Analysis
1-4 Family Residential Real Estate Loans
January 1, 2000 – December 31, 2000
AA - Perry County and Cape Girardeau County**

	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans
<i>Loans in AA</i>	22	69%	1,593	67%
<i>Loans out of AA</i>	10	31%	786	33%

Responses to Complaints

No CRA-related complaints have been received since the prior CRA evaluation.

Fair Lending Review

We analyzed three years of public comments and consumer complaint information according to the OCC's risk-based fair lending approach. Based on our analysis of the information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.