



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 12, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Chester National Bank of Missouri
Charter Number 23159

1010 North Main Street
Perryville, MO 63775

Office of the 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.

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

All of the lending performance criteria meet the standards for satisfactory performance. The factors supporting this rating are:

- The bank's lending levels are good. The bank's quarterly average loan-to-deposit ratio is 101%, which compares favorably to similarly situated banks.
- Lending within the bank's assessment area (AA) is satisfactory. A majority of the bank's loans extended during this evaluation period, 70% by number and 61% by dollar volume, were made to borrowers in the AA.
- The bank's lending to borrowers of different incomes is reasonable. Based on our sample of consumer loans, the bank's lending to moderate-income borrowers meets the ratio of moderate-income households in the AA. The bank's lending to low-income borrowers, however, is lower than the ratio of low-income households in the AA.

SCOPE OF EXAMINATION

The examination was conducted using full-scope procedures for Small Banks. We reviewed data on consumer loans written between January 1, 2006 and May 15, 2008. We did not review residential real estate loans at this examination because not enough new loans were written during the identified timeframe to pull a meaningful sample.

DESCRIPTION OF INSTITUTION

As of December 31, 2007, Chester National Bank of Missouri (CNB MO) has assets of approximately \$6.7 million. CNB MO is wholly owned by Chester Bancorp, Inc., which is a two-bank holding company based in Chester, IL. CNB MO assets represent 7.7% of the holding company's assets. This bank is an intrastate bank that operates primarily in Perry County, MO. There have been no changes in the bank's corporate structure since the last CRA evaluation.

The bank has a single office, located in Perryville, MO. The bank also has a full-service, 24-hour standalone ATM in Perryville, MO and a cash-dispensing ATM at a retail location in Herculaneum, MO. Management has neither opened nor closed any branches since the last CRA evaluation.

CNB MO is a community bank that offers a typical array of deposit and loan products. It is primarily a residential real estate lender. As of December 31, 2007, net loans total approximately \$4.6 million, or about 68% of total assets. The composition of the loan portfolio includes 86% residential real estate, 9% consumer, and 5% commercial real estate loans. Net Tier 1 Capital totals \$1.6 million.

There are no legal or financial impediments to the bank's ability to meet the credit needs of the AA. 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. The last CRA examination was dated December 16, 2002. The bank received a Satisfactory rating.

DESCRIPTION OF PERRY COUNTY

Management has designated its AA as all of Perry County, Missouri, which includes Census Tracts (CTs) 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 CT 9703.

Perry County is a non-Metropolitan Statistical Area (non-MSA). Based on the State of Missouri non-MSA median family income for 2000, two CTs or 40% are classified as middle-income and three CTs or 60% are classified as upper-income.

As of the 2000 census, the population in Perry County totaled 18,132, which included 4,953 families. Of these families, 11% were classified as low-income, 16% as moderate-income, 24% as middle-income, and 49% as upper-income. The non-MSA statewide median family income as of the 2000 census was \$36,175. The 2007 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$42,800.

The 2000 census also indicated the AA had 6,929 households, of which 18% were low-income, 14% were moderate-income, 19% were middle-income, and 49% were upper-income.

The 2000 census demographic data for the AA shows that 16% of the population is age 65 and over, 18% of households are in retirement, and 11% of households live below the poverty level. The median housing value is \$80,699 and the median age of the housing stock is 40 years. Owner-occupied units represent 71% of the housing stock, with 98% 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 (MO) Corporation, Perry County School District, Perry County Memorial Hospital, SabreLiner Corp., and Buchheits. Bank management identified residential real estate loans and consumer loans as the primary credit need of the AA.

Economic conditions in Perry County are slowly weakening as manufacturing jobs have left the area over the last three years. As of January 2008, the unemployment rate in Perry County is 4.4%. The state unemployment rate is 6%, and the national rate is 5.4% for the same period.

Competitive pressures are strong and come primarily from branches of larger financial institutions located in the town of Perryville, MO. There are approximately nine offices of seven different banks operating in the 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 did not identify any unmet credit needs and advised that local banks are involved in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB MO's performance is reasonable in meeting the credit needs of its AA, including those of low- and moderate-income people, given the performance context, demographics, economic factors and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

CNB MO's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. As of December 31, 2007, the bank's LTD ratio is 91%. The quarterly average LTD ratio since the last examination was 101%. This ratio is higher than the other comparable bank in the AA, which had a quarterly average LTD of 68.5% for the same time period.

Lending in Assessment Area

A majority of loans made by CNB MO are in the Perry County AA. Based on our sample of consumer loans, 70% by number and 61% by dollar amount of loans were made within the bank's AA.

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

The bank's lending to borrowers of different incomes is reasonable. The bank's primary product is residential real estate loans (91% of the loan portfolio), but not enough new loans were written since January 2006 to pull a meaningful sample of this product. We focused instead on consumer lending.

Consumer Lending

Based on our sample, the overall distribution of consumer loans is reasonable. The bank's lending to moderate-income borrowers (15%) meets the percentage of moderate-income households (14%) in the AA. Even though the bank's lending to low-income borrowers (10%) is lower than the percentage of low-income households (18%) in the AA, it is adequate considering the AA's household poverty level of 11%.

Borrower Distribution of Consumer Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA House-holds	% of Number of Loans	% of AA House-holds	% of Number of Loans	% of AA House-holds	% of Number of Loans	% of AA House-holds	% of Number of Loans
Consumer Loans	18%	10%	14%	15%	19%	33%	49%	42%

Source: Sample of 40 consumer loans originated between January 1, 2006 and May 15, 2008; and 2007 HUD updated median family income.

Geographic Distribution of Loans

All CTs in this AA are middle- or upper-income. As such, an analysis of the geographic distribution of loans within this AA would not provide meaningful information.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

A Fair Lending examination was last completed for CNB MO in November 2005. Compliance with Fair Lending laws and regulations was considered satisfactory. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.