

# PUBLIC DISCLOSURE

September 24, 2001

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mobile County Bank  
Grand Bay, Alabama  
RSSD ID NUMBER: 548735

Federal Reserve Bank of Atlanta  
1000 Peachtree Street, NE  
Atlanta, Georgia 30309-4470

***NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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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<b>DEFINITIONS</b>
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**Income Definitions**

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

*Low-Income* - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

*Moderate- Income* - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

*Middle-Income* - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

*Upper-Income* - An individual income, or median family income for geographies, that is 120 percent or more of the area median income.

*N/A* - An individual income, or median family income for geographies, that is 0 percent and no income data is provided.

**Other Definitions**

*ATM* - Automated Teller Machine  
*BLS* - United States Bureau of Labor Statistics  
*FDIC*- Federal Deposit Insurance Corporation  
*HUD* - Department of Housing and Urban Development  
*MCC* - Mobile Chamber of Commerce  
*MSA* - Metropolitan Statistical Area  
*REIS*- Regional Economic Information System

<b>GENERAL INFORMATION</b>
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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 **Mobile County Bank** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **September 24, 2001**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

At 58 percent, the bank's average loan-to-deposit ratio meets the standards for satisfactory performance. A substantial majority of the bank's loans were originated within the bank's assessment area. Based on the sample of small business loans and HMDA loans originated in the assessment area, lending to businesses of different revenue sizes and borrowers of different income levels is excellent. The geographic distribution of both small business and HMDA loans is poor given assessment area demographics and characteristics, and the location of the bank's offices. The bank has received no CRA-related complaints since the previous examination.

**DESCRIPTION OF INSTITUTION**

Mobile County Bank is a small community bank headquartered in Grand Bay, Alabama. The bank operates three branch offices and three ATMs in its assessment area, which is made up of the southern portion of Mobile County, Alabama. Mobile County Bank is a wholly owned subsidiary of Grand Bancorp, Incorporated, Lucedale, Mississippi. The bank and holding company are affiliated with Century Bank, Lucedale, Mississippi, through common ownership. The bank received a satisfactory rating at its previous CRA examination dated August 11, 1997. As of June 30, 2001, total assets were \$36.4 million, net loans totaled \$21.1 million, and total deposits represented \$33 million.

Mobile County Bank is a full service community bank that offers traditional credit products to meet community credit needs. These credit products include consumer, commercial, and real estate loans. The composition of the loan portfolio according to the June 30, 2001 Consolidated Reports of Condition and Income is as follows:

<b>COMPOSITION OF LOAN PORTFOLIO</b>								
<b>Loan Type</b>	<b>12/31/1998</b>		<b>12/31/1999</b>		<b>12/31/2000</b>		<b>6/30/2001</b>	
	<b>\$ (000s)</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Construction and Development	\$109	0.8%	\$72	0.5%	\$48	0.2%	\$61	0.3%
Secured by One- to Four- Family Dwellings	\$5,677	44.2%	\$5,600	38.5%	\$6,185	31.3%	\$7,466	34.9%
Other Real Estate: Farmland	\$40	0.3%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Multifamily	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Nonfarm Nonresidential	\$1,513	11.8%	\$1,294	8.9%	\$2,611	13.2%	\$2,823	13.2%
Commercial and Industrial	\$1,713	13.4%	\$3,447	23.7%	\$4,257	21.5%	\$3,755	17.6%
Loans to Individuals	\$3,469	27.0%	\$4,140	28.4%	\$6,690	33.8%	\$7,286	34.1%
Agricultural Loans	\$309	2.4%	\$0	0.0%	\$0	0.0%	\$0	0.0%
<b>Total</b>	<b>\$12,830</b>	<b>100.0%</b>	<b>\$14,553</b>	<b>100.0%</b>	<b>\$19,791</b>	<b>100.0%</b>	<b>\$21,391</b>	<b>100.0%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

As indicated by the table above, the bank's loan portfolio as of June 30, 2001 consisted primarily of loans secured by one-to-four family dwellings in terms of total dollars. Consumer loans make up the second largest component of the loan portfolio by dollar amount. Commercial and industrial loans comprise the third largest component of the loan portfolio by dollar amount.

No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

**DESCRIPTION OF ASSESSMENT AREA**

**Overview**

Mobile County Bank's assessment area is defined as the southern portion of Mobile County, which is part of the Mobile, Alabama metropolitan statistical area. The bank's assessment area encompasses 55 census tracts, which include 1 low-, 5 moderate-, 24 middle- and 24 upper-income census tracts, and 1 census tract that is not classified. Mobile County Bank has not arbitrarily excluded any low- or moderate-income census tracts from its assessment area.

Overall, the assessment area has been experiencing moderate economic growth. Information obtained from community contacts stated that the economic climate in the area has been cyclical. Moreover, there was an increase in the unemployment rate since the previous examination. These factors are detailed further in the report.

**Demographic Data by Census Tract**

The table provides demographic information that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in the report as they apply to particular parts of the analysis.

MOBILE COUNTY ASSESSMENT AREA									
DEMOGRAPHICS									
2001 HUD Median Family Income (MSA): <b>\$44,700</b>	Tract Distribution		Families						
	#	%	Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income		
<b>Income Categories</b>			#	%	#	%	#	%	
Low	1	1.8%	1,118	2.0%	423	37.8%	9,382	16.4%	
Moderate	5	9.1%	4,223	7.4%	1,089	25.8%	8,600	15.0%	
Middle	24	43.6%	28,337	49.6%	3,499	12.3%	11,760	20.6%	
Upper	24	43.6%	23,491	41.1%	1,056	4.5%	27,427	48.0%	
NA	1	1.8%	0	0.0%	0	0.0%	-	-	
<b>Total</b>	<b>55</b>	<b>100.0%</b>	<b>57,169</b>	<b>100.0%</b>	<b>6,067</b>	<b>10.6%</b>	<b>57,169</b>	<b>100.0%</b>	
<b>Housing Units by Tract</b>									
	Total Units	Owner Occupied		Rental		Vacant			
		#	%	#	%	#	%		
Low	1,666	866	1.6%	52.0%	681	40.9%	149	8.9%	
Moderate	6,507	3,054	5.8%	46.9%	3,070	47.2%	863	13.3%	
Middle	38,549	26,623	50.4%	69.1%	10,096	26.2%	2,886	7.5%	
Upper	33,003	22,276	42.2%	67.5%	9,595	29.1%	1,795	5.4%	
NA	1	0	0.0%	0.0%	1	100.0%	0	0.0%	
<b>Total</b>	<b>79,726</b>	<b>52,819</b>	<b>100.0%</b>	<b>66.3%</b>	<b>23,443</b>	<b>29.4%</b>	<b>5,693</b>	<b>7.1%</b>	
<b>Total Businesses by Tract</b>									
	Total Businesses by Tract		Businesses by Tract and Revenue Size						
	#	%	Under \$1 Million		Over \$1 Million				
			#	%	#	%			
Low	140	2.0%	126	2.1%	11	1.6%			
Moderate	418	5.9%	325	5.4%	83	12.1%			
Middle	3,617	51.4%	3,084	51.3%	348	50.7%			
Upper	2,829	40.2%	2,456	40.8%	243	35.4%			
NA	31	0.4%	25	0.4%	2	0.3%			
<b>Total</b>	<b>7,035</b>	<b>100.0%</b>	<b>6,016</b>	<b>100.0%</b>	<b>687</b>	<b>100.0%</b>			
<b>Percentage of Total Businesses:</b>						<b>85.5%</b>	<b>9.8%</b>		

Sources: 1990 Census Data, 2000 Dun & Bradstreet business demographic data.

\* Businesses with revenues under \$1million & over \$1million will not total due to revenue not available.

NA Tracts are tracts without household or family income.

<b>DESCRIPTION OF ASSESSMENT AREA (Continued)</b>
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**Population**

According to the 1990 U.S. Census, Mobile County Bank's assessment area population was 206,694. The population figure of the Mobile metropolitan statistical area was 476,923. In addition, the population of the assessment area represents 5.1 percent of the state of Alabama population, which is 4,040,587.

**Income Characteristics**

As indicated in the previous table, as of the 1990 Census, the assessment area contained 57,169 families. Low- and moderate-income families represented 16.4 percent and 15.0 percent of the assessment area's families, respectively. 10.6 percent of the families in the assessment area had incomes below the poverty level. According to HUD, the estimated 2001 median family income for the Mobile MSA, which includes the assessment area, was \$44,700.

**Housing Data**

According to 1990 Census data, the majority (66.3 percent) of the housing units in the assessment area were owner-occupied and the median housing value for owner-occupied units in the assessment area was \$64,593. Housing in the assessment area was primarily comprised of one- to four-family units (74.3 percent) and the median age of the housing stock was 18 years. As of the 1990 Census, the majority, or 48.4 percent, of the assessment area's total housing units and 50.4 percent of the assessment area's owner-occupied housing units were located in middle-income census tracts. Of the 1,666 housing units located in the low-income census tracts, 52.0 percent were owner-occupied units, 40.9 percent were rental units, and 8.9 percent were vacant. Additionally, of the 6,507 housing units located in the moderate-income census tracts, 46.9 percent were owner-occupied units, 47.2 percent were rental units, and 13.3 percent were vacant.

**Employment Statistics**

A review of REIS data as of 1995 indicate that the services industry is the largest employer in the bank's assessment area. The next largest employers are the retail trade, government, and manufacturing industries. Information obtained from the MCC indicated that some of the major employers in the Mobile metropolitan statistical area, which includes the bank's assessment area, are Atlantic Marine Incorporated, Ciba Specialty Chemicals, Mobile County School System, Mobile Infirmary Medical Center, University of South Alabama, and USA Medical Facilities. According to REIS, from 1990 to 1995 the

<b>DESCRIPTION OF ASSESSMENT AREA (Continued)</b>
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assessment area experienced a 10.1 percent increase in total full- and part-time employment, with the greatest increase (27.2 percent) occurring in the construction industry. Additionally, according to BLS data, since 1997, the annualized unemployment rates (not seasonally adjusted) have increased from 4.2 percent in 1997 to 5.2 percent as of July 2001.

**Business Size Characteristics**

The demographic table on page 3 of this report provides key demographic business data by census tracts within the assessment area. The Dun & Bradstreet information for 2000 illustrates that 85.5 percent of the businesses in the bank's assessment area had total gross revenues less than \$1 million and therefore, were considered to be small businesses. The majority of the small businesses are located in middle- and upper-income census tracts. However, a low level of small businesses is located in low- and moderate-income census tracts, which would indicate that limited lending opportunities exist in these tracts.

**Competition**

Mobile County Bank is located in a highly competitive market due to the significant presence of banks in this market and given local area population. The competition comes mainly from FDIC – insured institutions with branch offices located in the assessment area. Many of these banks are statewide, multi-regional, or national banks. However, local competition does not seem to adversely affect the bank's ability to serve the credit needs of its assessment area.

**Community Contacts**

As a part of the CRA examination, information was obtained from two members of the community regarding local economic conditions and community credit needs. Both of the contacts stated that the performance of the local financial institutions in the assessment area could be improved upon. In addition, the contacts added that there were many existing and new small business and affordable housing opportunities available, but banks have not participated and are not trying to participate in them.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio Analysis**

Mobile County Bank's average loan-to-deposit (LTD) ratio is **REASONABLE** given the bank's size, financial condition, and the assessment area credit needs. The LTD ratio meets standards for satisfactory performance. Based on information from the bank's Consolidated Reports of Condition and Income, the bank's average LTD ratio for the six quarters ending June 30, 2001 was 58 percent. The bank's LTD ratio has fluctuated since the previous examination from a low of 48.8 percent as of March 30, 2000 and a high of 63.9 percent as of June 30, 2001. Mobile County Bank's LTD ratio was compared to the LTD ratio of one other bank with a similar asset size in the bank's assessment area. The range of LTD ratios for the comparable bank was 54.59 percent to 60.50 percent.

**Assessment Area Concentration**

Mobile County Bank's lending in the assessment area exceeds the standards for satisfactory performance. A sample of 135 HMDA loans and 186 small business loans originated since the previous performance evaluation was analyzed to determine the extent of the bank's lending inside the assessment area. As illustrated in the following table, a **SUBSTANTIAL MAJORITY** of the HMDA loans and small business loans sampled by number and dollar volume were originated within the assessment area.

<b>LENDING INSIDE AND OUTSIDE ASSESSMENT AREA</b>				
<b>Loan Type</b>	<b>IN</b>			
	#	%	\$ (000s)	%
Small Business	150	80.6%	\$5,237	73.6%
HMDA	117	86.7%	\$2,121	66.2%
<i>Total In</i>	<i>267</i>	<i>83.2%</i>	<i>\$7,358</i>	<i>71.3%</i>
	<b>OUT</b>			
	#	%	\$ (000s)	%
Small Business	36	19.4%	\$1,874	26.4%
HMDA	18	13.3%	\$1,081	33.8%
<i>Total Out</i>	<i>54</i>	<i>16.8%</i>	<i>\$2,955</i>	<i>29.7%</i>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

**Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

Mobile County Bank's record of lending to borrowers of different income levels and to businesses of different sizes indicates **EXCELLENT** penetration among individuals of different income levels and businesses of different sizes. This performance exceeded expectations given the demographics of the bank's assessment area and exceeds the standards for satisfactory performance. Of the 117 HMDA loans originated in the bank's assessment area, 28 loans, or 23.9 percent were originated to low-income borrowers. These borrowers comprise 16.4 percent of the families in the assessment area. In addition, 28 loans, or 23.9 percent of the HMDA loans were originated to moderate-income borrowers. These borrowers comprise 15 percent of the families living in the assessment area.

<b>HMDA LOANS by Borrower Income</b>		
<b>Borrower Income Level</b>	<b>#</b>	<b>%</b>
Low-Income	28	23.9%
Moderate-Income	28	23.9%
Middle-Income	27	23.1%
Upper-Income	34	29.1%
Income Not Available	0	0.0%
<i>Total</i>	<i>117</i>	<i>100.0%</i>

150 small business loans, or 100 percent, were originated to businesses with gross annual revenues of less than \$1 million. In addition, all of the small business loans sampled, by total dollar volume, were made to small businesses. As noted earlier, 85.5 percent of the businesses in the assessment area are considered to be small businesses.

<b>SMALL BUSINESS LOANS by Business Revenue and Loan Size</b>				
<b>Business Revenue:</b>	<b>#</b>	<b>%</b>	<b>\$(000)s</b>	<b>%</b>
\$1 Million or Less	150	100.0%	\$5,237	100.0%
Over \$1 Million	0	0.0%	\$0	0.0%
Not Available	0	0.0%	\$0	0.0%
<b>Loan Size:</b>				
\$100,000 or Less	140	93.3%	\$3,537	67.5%
\$100,001 - \$250,000	9	6.0%	\$1,394	26.6%
\$250,001 - \$1 Million	1	0.7%	\$306	5.8%
<i>Total</i>	<i>150</i>	<i>100.0%</i>	<i>\$5,237</i>	<i>100.0%</i>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

**Geographic Distribution of Loans**

When the bank's performance context is considered, the geographic distribution of residential real estate and small business loans reflects **POOR** penetration in low- and moderate-income census tracts. The 117 residential real estate loans secured by property inside the bank's assessment area and 150 small business loans originated in the bank's assessment area were used to analyze the distribution of lending activity by census tract.

The next table demonstrates the bank's levels of lending to low- and moderate-income tracts were below expectations given the demographic data. The bank originated no HMDA loans in the one low-income census tract in the assessment area; however, this is expected because of the low percentage of owner-occupied housing units in the low-income census tract as a percentage of total owner-occupied units in the assessment area. Although 52 percent of the total housing units located in the low-income census tract are owner-occupied, this represents only 1.6 percent of the total housing units in the assessment area. In addition, only 2 percent of the families live in the low-income census tract. Also, 37.8 percent of the families living in the low-income census tract are below poverty level. The lending percentage of HMDA loans in moderate-income census tracts is also below the percentages of families living in moderate-income census tracts. As shown in the demographic table on page 3, the majority of families in the bank's assessment area, including low- and moderate-income families, are located in the middle- and upper-income census tracts.

<b>GEOGRAPHIC DISTRIBUTION</b>		
<b>Tract Income Level</b>	<b>HMDA</b>	
	<b>#</b>	<b>%</b>
Low-Income	0	0.0%
Moderate-Income	1	0.9%
Middle-Income	95	81.2%
Upper-Income	21	17.9%
<i>Total Assessment Area</i>	<i>117</i>	<i>100.0%</i>

The geographic distribution of the small business loans originated in the bank's assessment area is also considered to be **POOR** when consideration is given to the percentage of small businesses, as a percent of total businesses, located in low- and moderate-income census tracts. The 150 small business loans originated in the bank's assessment area were analyzed to determine the distribution of loans by census tract.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

The following table demonstrates that the bank originated no small business loans in the low-income census tract and 3.3 percent (5 loans) of its small business loans in moderate-income census tracts.

2.1 percent of small businesses are located in the low-income census tract. In addition, the lending percentage in moderate-income census tracts is also below the percentage of small businesses located in moderate-income census tracts, at 5.4 percent. As shown in the demographic table on page 3, the majority of businesses in the bank's assessment area are located in the middle- and upper-income census tracts.

<b>GEOGRAPHIC DISTRIBUTION</b>		
<b>Tract Income Level</b>	<b>Small Business</b>	
	<b>#</b>	<b>%</b>
Low-Income	0	0.0%
Moderate-Income	5	3.3%
Middle-Income	107	71.3%
Upper-Income	38	25.3%
<i>Total Assessment Area</i>	<i>150</i>	<i>100.0%</i>

**Complaints**

No CRA-related complaints have been received since the previous examination.

**Compliance with Antidiscrimination Laws and Regulations**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of the bank policies and procedures.