

PUBLIC DISCLOSURE

August 11, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mobile County Bank
06011032

Grand Bay, Alabama

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

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.

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 Mobile County Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of August 11, 1997. 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.

Mobile County Bank satisfactorily serves its assessment area based on a review of the bank's lending record. The bank's assessment area contains no low-income tracts, one moderate-income tract, seven middle-income tracts, and one upper-income tract. The bank maintains a satisfactory loan-to-deposit ratio. The bank's average loan-to-deposit ratio for the last six quarters ended June 30, 1997, was 59.1 percent. Samples of the bank's residential real estate loans and consumer loans were reviewed. A majority of the sampled loans were made in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area. The distribution of borrowers reflects reasonable penetration among individuals of different income levels. No CRA-related complaints have been received since the previous examination. No evidence of discrimination or other illegal credit practices was detected during the examination.

DESCRIPTION OF INSTITUTION

Mobile County Bank operates one office in Grand Bay, Alabama. The bank is a wholly owned subsidiary of Grand Bancorp, Inc., Grand Bay, Alabama, a one-bank holding company. The bank and holding company are affiliated with the Bank of Lucedale, Lucedale, Mississippi, and "L" Life Insurance Company, Lucedale, Mississippi, through common ownership.

Total assets reported in the June 30, 1997 Consolidated Reports of Condition and Income were \$23.2 million. No legal or financial impediments exist that would prevent the bank from meeting the credit needs of its assessment area. The bank received a satisfactory CRA rating at its previous evaluation as of February 12, 1996.

The bank offers a variety of banking products and services to meet community credit needs. As indicated in the loan distribution table below, the bank is primarily active in residential real estate and consumer loans. The bank's June 30, 1997 Consolidated Reports of Condition and Income reflected the following loan portfolio distribution:

LOAN TYPE	PERCENTAGE
Construction and development	1.0%
Secured by one- to four-family dwellings	46.2%
Other real estate:	
Farmland	0.2%
Nonfarm nonresidential	0.9%
Commercial and industrial	19.7%
Loans to individuals	31.4%
Agriculture	0.6%
Total	100.0%

DESCRIPTION OF ASSESSMENT AREA: PORTION OF SOUTHERN MOBILE COUNTY

The 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 only office is located about 20 miles southwest of Mobile in Grand Bay, Alabama, which is largely a bedroom community for Mobile and Pascagoula, Mississippi.

The bank's assessment area consists of nine census tracts with income levels as follows: no low-income tracts, one moderate-income tract, seven middle-income tracts, and one upper-income tract. Although the bank's assessment area contains no low-income tracts, low-income families make up 22 percent of the families in the moderate-income tract and 30 percent of those in the middle- and upper-income tracts. Additionally, 1,793 (14 percent) of the families in the assessment area are below the poverty level.

According to the 1990 Census, the population of the assessment area totaled 47,252. Of the total population, 2,351 (5 percent) lived in the moderate-income tract; 40,511 (86 percent) lived in the middle-income tracts; and 4,390 (9 percent) lived in the upper-income tract. Approximately 51 percent of the population is between the ages of 25 and 64. 17,369 housing units were in the assessment area; 73 percent (12,726) were owner-occupied, 19 percent (3,248) were rental units, and 8 percent were vacant. The median housing value in the assessment area was \$53,875.

The 1993 U. S. Census employment data for Mobile County business patterns showed a total of 8,857 business establishments. Of the 8,857 business establishments, 8,350 (94 percent) were small businesses with fewer than 50 employees. The unemployment rate for Mobile County as of June 1997 was 5.8 percent, which was higher than the 5.3 percent unemployment rate for the Mobile Metropolitan Statistical Area and the 4.5 percent unemployment rate for the state of Alabama. President Sutley stated that most of the bank's customers are farmers or "blue-collar" workers who work at the ship building facilities in Pascagoula, Mississippi, paper mills in Moss Point, Mississippi, or other industries around Mobile. Employment in the area has been relatively stable, and no significant changes are expected in the near future.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Mobile County Bank’s average loan-to-deposit ratio for the six quarters since the previous examination is 59.1 percent. Of the nine competing financial institutions in Mobile County, only one was comparable in asset size. The average loan-to-deposit ratio for that institution was 47.8 percent for the same time period. According to the December 31, 1996 Uniform Bank Performance Report, Mobile County Bank’s loan-to-deposit ratio was 59.8 percent compared with a peer group average of 61.2 percent. The bank’s peer group includes all insured commercial banks having assets between \$10 million and \$25 million with one banking office, and located in a metropolitan area. The bank’s loan-to-deposit ratio meets the standards for satisfactory performance given the bank’s size, financial condition, and assessment area credit needs.

Lending in the Assessment Area

The bank is most active in the area of consumer and residential real estate lending. Samples of the bank’s first lien residential real estate loans and consumer loans were reviewed to determine the volume of loans originated in the assessment area. The chart below depicts the level of lending inside and outside the assessment area for the sampled real estate and consumer loans.

RESIDENTIAL REAL ESTATE LOANS	INSIDE ASSESSMENT AREA	OUTSIDE ASSESSMENT AREA
Total Number of Loans	42	27
Percentage of Total Loans	61%	39%
Total \$ Amount of Loans	\$1,973,737	\$1,143,735
Percentage of Total Loans	63%	37%

CONSUMER LOANS	INSIDE ASSESSMENT AREA	OUTSIDE ASSESSMENT AREA
Total Number of Loans	86	34
Percentage of Total Loans	72%	28%
Total \$ Amount of Loans	\$529,662	\$277,142
Percentage of Total Loans	66%	34%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in Assessment Area (Continued)

Management stated that the loans originated outside of the bank's assessment area are the result of President Sutley's and former Vice President Jack Hawkins' relationship with borrowers and residents of Saraland and other communities north of Mobile. Mr. Sutley and Mr. Hawkins have many years of banking experience with financial institutions located in the northern suburbs of Mobile, and loan customers have followed them to Mobile County Bank. However, a majority of the bank's lending is in its assessment area, and the bank meets the standards for satisfactory performance.

Lending to Borrowers of Different Incomes

The bank's lending to borrowers of various income levels, based on the residential real estate and consumer loans in the assessment area, is detailed below. Of the 42 real estate loans in the bank's assessment area, 36 included income information. In addition, 82 of the 86 consumer loans in the bank's assessment area included income information.

INCOME LEVEL OF BORROWER	FAMILIES IN ASSESSMENT AREA		RESIDENTIAL REAL ESTATE LOANS		CONSUMER LOANS	
	NUMBER	PERCEN	NUMBER	PERCEN	NUMBER	PERCEN
Low-income	2,706	21%	3	8%	16	20%
Moderate-income	2,362	18%	5	14%	19	23%
Middle-income	3,021	23%	13	36%	23	28%
Upper-income	5,052	38%	15	42%	24	29%
Total	13,141	100%	36	100%	82	100%

The table above shows that consumer loans were distributed among borrowers of different income levels consistent with the distribution of the assessment area's families by income level.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes (Continued)

The proportion of residential real estate loans to low-income and moderate-income applicants was less than the proportion of low- and moderate-income families in the bank’s assessment area. However, Mobile County Bank does not offer conventional long-term financing for real estate loans. The maximum term for a real estate mortgage offered by the bank is a five-year balloon loan with a 15-year amortization. In addition, the bank will only lend up to 80 percent of the appraised value for a real estate loan. As a result, fewer low- or moderate-income families could qualify for real estate loans given the terms and conditions offered by the bank. According to President Sutley, if a borrower needs a loan with a longer term or greater loan-to-value ratio, the applicant is referred to a local mortgage company. Overall, the bank meets the standards for satisfactory performance in this category despite its limited success with regard to real estate lending to low- and moderate-income borrowers.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The nine census tracts in the assessment area include no low-income tracts, one moderate-income tract, seven middle-income tracts, and one upper-income tract. The following table illustrates the percentage of sampled loans made in each census tract income category.

CENSUS TRACT INCOME LEVEL	NUMBER OF CENSUS TRACTS IN ASSESSMENT AREA	FAMILIES BY INCOME LEVEL OF CENSUS TRACT		RESIDENTIAL REAL ESTATE LOANS		CONSUMER LOANS	
		NUMBER	PERCEN	NUMBER	PERCEN	NUMBE	PERCEN
Moderate-income	1	620	5%	0	0%	0	0%
Middle-income	7	11,247	86%	40	95%	84	98%
Upper-income	1	1,274	9%	2	5%	2	2%
Total	9	13,141	100%	42	100%	86	100%

Because a majority of the census tracts are middle-income and a majority of the families in the bank’s assessment live in these tracts, it is expected that most of the loans originated would be in this category. Loan activity was noted in all of the census tracts in the assessment area with the exception of the one

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

moderate-income tract. This moderate-income tract comprises the city of Theodore, Alabama, a rural area with a population of about 2,351, which is located 15 miles northeast of Grand Bay. Several financial institutions have branch offices located in Tillmans Corner, which is within four miles of Theodore. The inconvenient location of the bank and the presence of competitor institutions would likely have an adverse effect on the level of applications received from this tract. The bank's geographic distribution of loans meets the standards for satisfactory performance.

Complaints

No complaints relating to CRA have been filed against the bank since the previous examination.

Compliance with Antidiscrimination Laws

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 bank policies and procedures. No practices have the intent or the effect of discouraging applicants.