



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 22, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Grand Ridge National Bank  
Charter Number 6684

105 West Main Street  
Grand Ridge, IL 61325

Office of the Comptroller of the Currency

211 Fulton Street, Suite 604  
Peoria, IL 61602

**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:  
Grand Ridge National Bank is rated Satisfactory**

**The Lending Test is rated: Satisfactory**

The major factors that support Grand Ridge National Bank's (GRNB) rating include:

- GRNB's distribution of loans represents excellent penetration among farms and reasonable penetration among businesses of different sizes.
- GRNB's geographic distribution of business loans in the Chicago region assessment area reflects reasonable dispersion throughout census tracts of different income levels.
- A majority of the loans originated by GRNB are to borrowers inside its assessment areas (AAs).
- GRNB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment areas.

**SCOPE OF EXAMINATION**

We evaluated GRNB under the Small Bank examination procedures, which included a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas through its lending activities.

The lending test for GRNB covers its performance from January 1, 2011 through December 31, 2012, as this is representative of its lending strategy since the previous CRA examination. The evaluation period is from the previous CRA examination, April 1, 2008 through April 22, 2013.

GRNB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). We tested the HMDA data and found it to be reliable. However, we did not use GRNB's HMDA data because HMDA reportable and residential loans were not identified as a primary loan product. Instead, we used samples of GRNB's primary loan products for the lending test.

GRNB's primary loan products are agriculture loans in the LaSalle AA and commercial loans in the Chicago region AA. To evaluate the bank's agricultural and commercial lending performance, we selected a sample of these types of loans made from January 1, 2011 through December 31, 2012. Both AAs received a full scope review. We considered the large volume of lending in the Chicago region AA in our lending conclusions. We also considered that the LaSalle AA maintained the most deposit market share of the two AAs.

## DESCRIPTION OF INSTITUTION

GRNB is an intrastate bank headquartered in Grand Ridge, Illinois. Grand Ridge is located along Illinois State Highway 23 between Ottawa and Streator in LaSalle County in Northern Central Illinois. As of December 31, 2012, the bank reported \$69.2 million in total assets. GRNB is majority owned by Premier Commerce Bancorp, a one-bank holding company located in Wheaton, Illinois. As of December 31, 2012, the holding company had \$69.2 million in total assets. The holding company does not own any additional subsidiaries and it does not negatively influence the bank's ability to meet the credit needs of the community.

GRNB has two locations. The main office is located in Grand Ridge, Illinois and does not have drive-up facilities or an automated teller machine (ATM). The second location is a branch located at the holding company location in Wheaton, Illinois offering drive-up facilities and a deposit-taking ATM. Both branches are full-service facilities. GRNB offers a full range of banking products for agricultural, commercial, and personal customers.

Since the previous CRA examination, the current holding company acquired the bank's former holding company and opened the Wheaton branch. In July 2010, Premier Commerce Bancorp bought G R Bancorp, thus acquiring a majority ownership of the bank. In January 2011, the bank opened the Wheaton branch when they acquired it from First State Bank of Illinois. With the addition of the Wheaton branch, the bank added the Chicago region AA to the existing LaSalle AA, thus giving the bank two distinct AAs.

GRNB's primary emphasis is to provide agricultural-focused banking products in the LaSalle AA and commercial-focused banking products in the Chicago region AA.

The table below illustrates the composition of loan originations at the Grand Ridge location (serving the LaSalle AA) from January 1, 2011 through December 31, 2012.

<b>Loan Originations by Loan Type from January 1, 2011 through December 31, 2012</b>				
<b>Loan Category</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>
Agriculture Loans	\$ 4,617	78%	51	47%
Commercial Loans	\$ 886	15%	23	21%
Consumer Loans	\$ 248	4%	31	29%
Residential Loans	\$ 181	3%	3	3%
Total Originations	\$ 5,932	100%	108	100%

Source: Bank Records (Note Register) from January 1, 2011 – December 31, 2012.

The table below illustrates the composition of loan originations at the Wheaton branch (serving the Chicago region AA) from January 1, 2011 through December 31, 2012.

<b>Loan Originations by Loan Type from January 1, 2011 through December 31, 2012</b>				
<b>Loan Category</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>
Commercial Loans	\$ 38,354	75%	125	58%
Residential Loans	\$ 7,425	15%	44	21%
Consumer Loans	\$ 4,186	8%	43	20%
Agricultural Loans	\$ 1,150	2%	2	1%
<b>Total Originations</b>	<b>\$ 51,115</b>	<b>100%</b>	<b>214</b>	<b>100%</b>

Source: Bank Records (Note Register) from January 1, 2011 – December 31, 2012.

As of December 31, 2012, GRNB reported net loans of \$47 million and had a net loans and leases to total assets ratio of 67 percent. The loan portfolio composition is as follows:

<b>Loan Portfolio Summary by Loan Product December 31, 2012</b>		
<b>Loan Category</b>	<b>Dollars Outstanding (000s)</b>	<b>% of Outstanding Dollars</b>
Commercial Loans	\$ 35,708	76%
Residential Loans	\$ 5,987	13%
Agriculture Loans	\$ 3,503	7%
Consumer Loans	\$ 1,756	4%
<b>Total Loans</b>	<b>\$ 46,954</b>	<b>100%</b>

Source: Call Report December 31, 2012.

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability to meet the credit needs of the communities within its AAs. The bank reported Tier 1 Capital of \$9 million as of December 31, 2012. The bank's previous CRA rating was Satisfactory as of March 31, 2008.

## DESCRIPTION OF ASSESSMENT AREAS

GRNB has two AAs in Illinois, which are described below.

### LaSalle Assessment Area

The LaSalle AA is comprised of eight census tracts (CTs) located in the southern portion of LaSalle County. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 and 2010 U.S. Census data shows that the AA does not include any low- or moderate-income CTs.

The following is demographic information for the LaSalle AA.

2011 Demographic Information for the Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	0%	0%	62.5%	37.5%
Population by Geography	34,319	0%	0%	65.7%	34.3%
Owner-Occupied Housing by Geography	10,317	0%	0%	66.7%	33.3%
Businesses by Geography	2,662	0%	0%	62.7%	37.3%
Farms by Geography	318	0%	0%	61.6%	38.4%
Family Distribution by Income Level	9,372	15%	17%	21%	47%
Household Distribution by Income Level	13,499	20%	15.3%	18.3%	46.4%
Census Median Family Income (MFI)		\$43,613	Median Housing Value		\$81,297
HUD-Adjusted MFI: 2011		\$56,600	Families Below the Poverty Level		6.7%
			Unemployment Rate*		13.6%

Source: 2000 U.S. Census Data and \*Illinois Department of Employment Security Feb. 2013.

2012 Demographic Information for the Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	0%	0%	75%	25%
Population by Geography	35,287	0%	0%	78.5%	21.5%
Owner-Occupied Housing by Geography	10,697	0%	0%	78.4%	21.6%
Businesses by Geography	2,477	0%	0%	73%	27%
Farms by Geography	314	0%	0%	65%	35%
Family Distribution by Income Level	9,859	15.1%	18.4%	21.5%	45%
Household Distribution by Income Level	14,085	20.4%	14.6%	18.2%	46.8%
Census Median Family Income (MFI)		\$54,549	Median Housing Value		\$119,131
FFIEC-Adjusted MFI: 2012		\$57,400	Families Below the Poverty Level		7.5%
			Unemployment Rate*		13.6%

Source: 2010 U.S. Census Data and \*Illinois Department of Employment Security Feb. 2013.

### *Economic Data*

The local economy is dominated by agriculture and characterized as strong and stable. High grain prices for the last few years have helped the local agriculture economy thrive and allowed farmers to place less reliance on borrowing from banks to support agricultural operations.

The February 2013 unemployment rate in LaSalle County of 13.6 percent is well above the national average of 8.1 percent and the State of Illinois average of 10.5 percent. Major employers include Del Monte, various medical centers, PetsMart, Vactor Manufacturing, Clover Technology, HR Imaging, Office Max, U.S. FoodService, and various local government entities and school districts.

In conducting the assessment of the bank's performance, we contacted a local Director of Economic Development. The contact indicated that the AA did not have a primary credit need, but that all types of credit are in demand. However, the contact prefaced this by indicating that credit supply from financial institutions outweighs the credit needs demanded by the community. The contact indicated that they are unaware of any credit products needed in the community that are not currently offered by local financial institutions. The contact indicated that residents of the AA probably have a slightly below average income level despite relatively good employment. Overall, the contact felt that financial institutions in the AA remain very supportive of the community's financial needs and that their employees are actively involved in various aspects within the community.

### *Competition*

The bank faces competition from 24 other banking institutions in LaSalle County. These institutions range from multi-branch national banks to single-branch state banks. As of June 30, 2012, GRNB had \$32 million of deposits in the LaSalle AA, representing 1.24 percent of the market share in LaSalle County.

### **Chicago region Assessment Area**

The bank's second AA is a portion of the Chicago-Joliet-Naperville Metropolitan Division (MD). This AA includes four of the eight counties that comprise this MD. The AA consists of the entire counties of Cook, DuPage, Kane, and Will Counties. This AA meets the requirements of the regulation and does not arbitrarily exclude and low- or moderate-income areas. The bank added this AA when it acquired the Wheaton branch.

The 2000 and 2010 U.S. Census data shows that the AA does include numerous low- and moderate-income CTs.

The following is demographic information for the Chicago region AA.

2011 Demographic Information for the Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	1,639	14.5%	26%	34.5%	25%
Population by Geography	7,187,287	8%	25%	38%	29%
Owner-Occupied Housing by Geography	1,632,652	3%	16%	44%	37%
Businesses by Geography	610,961	4%	14%	37%	45%
Farms by Geography	7,238	2%	11%	43%	44%
Family Distribution by Income Level	1,748,594	21%	18%	22%	39%
Household Distribution by Income Level	2,601,754	24%	17%	19%	40%
Census Median Family Income (MFI)		\$60,166	Median Housing Value		\$175,495
HUD-Adjusted MFI: 2011		\$76,200	Families Below the Poverty Level		8.6%
			Unemployment Rate*		10.25%

Source: 2000 U.S. Census Data and \*Illinois Department of Employment Security Feb. 2013 (4-County AA average).

2012 Demographic Information for the Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	1,768	14%	25%	31%	30%
Population by Geography	7,304,428	10%	25%	33%	32%
Owner-Occupied Housing by Geography	1,743,659	4%	19%	37%	40%
Businesses by Geography	586,917	5%	17%	32%	46%
Farms by Geography	7,353	3%	15%	36%	46%
Family Distribution by Income Level	1,739,315	23.3%	17%	19.2%	40.5%
Household Distribution by Income Level	2,661,049	25.2%	16%	17.8%	41%
Census Median Family Income (MFI)		\$72,747	Median Housing Value		\$291,108
FFIEC-Adjusted MFI: 2012		\$77,300	Families Below the Poverty Level		9.8%
			Unemployment Rate*		10.25%

Source: 2010 U.S. Census Data and \*Illinois Department of Employment Security Feb. 2013 (4-County AA average).

### Economic Data

The local economy is considered stable and consists of many industries. Despite this AA consisting of four counties, we focused our description of economic conditions on DuPage County because that is where the Wheaton branch is located. The February 2013 unemployment rate in DuPage County of 8.4 percent is comparable to the national average of 8.1 percent and well below the State of Illinois average of 10.5 percent. The February 2013 unemployment rate in DuPage County is also well below the rate in Cook County of 10.5 percent, the rate in Kane County of 11.1 percent, and the rate in Will County of 11 percent. Major employers in DuPage County include BP America, Argonne National Lab, United Parcel Service, Northern Illinois Gas, Fermi Lab, Edward Hospital, Navistar International, Central DuPage Hospital, McDonald's, DuPage County, and the College of DuPage.

*Competition*

Even though this AA consists of four counties, we focused our description of competition on DuPage County because that is where the Wheaton branch is located. The bank faces competition from 65 other banking institutions in DuPage County. These institutions range from multi-branch national banks to single-branch state banks. As of June 30, 2012, GRNB had \$17 million of deposits in the Chicago region AA, representing 0.05 percent of the market share in DuPage County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

GRNB's performance under the lending test meets the standards for satisfactory performance.

#### Loan-to-Deposit Ratio

GRNB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the AAs credit needs. GRNB's quarterly loan-to-deposit ratio averaged 53 percent over the period of June 30, 2008 to December 31, 2012. GRNB had a quarterly low of 33 percent and a quarterly high of 80 percent.

GRNB's quarterly average loan-to-deposit ratio compares unfavorably with other community banks of similar size, location, and product offerings during this period. GRNB ranked last among eight similarly situated banks serving its AAs. The quarterly average loan-to-deposit ratio for the other eight banks over the same period ranged from 66 percent to 91 percent. The similarly situated banks used for comparison are community banks located in Cook, Du Page, and La Salle County and range in asset size from \$61 million to \$80 million.

Although GRNB's quarterly average loan-to-deposit ratio is lower than the other similarly situated banks for this period, this ratio steadily increased throughout this period from 38 percent to 80 percent. As of December 31, 2012, GRNB's quarterly loan-to-deposit ratio of 80 percent ranked third among this same peer group.

#### Lending in Assessment Area

A majority of GRNB's primary loan products were made within the bank's assessment areas. The following table details the bank's lending within the AAs by number of loan originations and dollar amount of loans originated during the evaluation period. Seventy-three percent of the bank's primary loan product in the LaSalle AA were made within the LaSalle AA. Eighty-three percent of the bank's primary loan products in the Chicago region AA were made within the Chicago region AA.

Lending in the AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	37	72.6	14	27.4	51	2,901	62.8	1,716	37.2	4,617
Commercial	52	82.5	11	17.5	63	17,516	86	2,834	14	20,340
Totals	89	78	25	22	114	20,417	82	4,550	18	24,967

Source: Bank's internal loan ledger for 2011 & 2012

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

The distribution of loans reflects excellent penetration among farms and reasonable penetration among businesses of different sizes, given the demographics of the AAs.

Performance in the LaSalle AA

The distribution of borrowers reflects excellent penetration among farms of different sizes, given the demographics of the AA.

*Agriculture Loans*

The distribution of loans to farms reflects excellent penetration among farms of different sizes. The bank originated 100 percent of agriculture loans to small farms during 2011 and 2012. Small farms are farms with gross annual revenues of one million dollars or less. This is considered excellent compared to demographic data shown in the following tables.

<b>Borrower Distribution of Loans to Farms in the LaSalle AA - 2011</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.4	0.3	1.3	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

*Source: Agriculture loan data for 2011; 2011 Business Geodemographic Data*

<b>Borrower Distribution of Loans to Farms in the LaSalle AA - 2012</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.7	0.3	1	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

*Source: Agriculture loan data for 2012; 2012 Business Geodemographic Data*

Performance in the Chicago region AA

The distribution of borrowers reflects reasonable penetration among businesses of different sizes, given the demographics of the AA.

*Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes in 2011 and 2012. The bank’s lending was near to the number of small businesses as reflected in the following tables. Small businesses are businesses with gross annual revenues of one million dollars or less.

<b>Borrower Distribution of Loans to Businesses in the Chicago region AA - 2011</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65	4	31	100%
% of Bank Loans in AA by #	65.4	34.6	0	100%
% of Bank Loans in AA by \$	62	38	0	100%

Source: Business loan sample for 2011; 2011 Business Geodemographic Data

<b>Borrower Distribution of Loans to Businesses in the Chicago region AA - 2012</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70	5	25	100%
% of Bank Loans in AA by #	61.5	38.5	0	100%
% of Bank Loans in AA by \$	66.5	33.5	0	100%

Source: Business loan sample for 2012; 2012 Business Geodemographic Data

## Geographic Distribution of Loans

The distribution of loans reflects reasonable dispersion throughout the Chicago region AA. We did not perform a geographic distribution test of loans made in the LaSalle AA because all of the geographies are middle- and upper-income; thus, the analysis would not be meaningful. There were no conspicuous gaps identified within GRNB's AAs.

### Performance in the Chicago region AA

The bank's geographic distribution of loans in this AA reflects a reasonable dispersion throughout census tracts of different income levels.

#### *Business Loans*

The bank's geographic distribution of business loans in the Chicago region AA reflects a reasonable dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts as shown in the following tables. In 2011, lending in low-income CTs exceeded the demographics but was below the demographics in the moderate-income CTs. In 2012, lending in low-income CTs was poor but the lending in moderate-income CTs well exceeded the area demographics.

<b>Geographic Distribution of Loans to Businesses in Chicago region AA - 2011</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
	3.7	3.9	14.5	7.7	36.8	30.7	45	57.7

Source: Business loan sample for 2011; 2011 Business Geodemographic Data; 2000 U.S. Census

<b>Geographic Distribution of Loans to Businesses in the Chicago region AA - 2012</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	5.3	0	16.8	42.3	32.1	30.7	45.8	27

Source: Business loan sample for 2012; 2012 Business Geodemographic Data; 2010 U.S. Census

**Responses to Complaints**

GRNB has not received any complaints about its performance in helping to meet the credit needs within its AAs during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.