



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**March 29, 2004**

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

**Granville National Bank  
Charter Number 14035**

**328 South McCoy Street  
Granville, IL 61326**

**Comptroller of the Currency  
Peoria Field Office  
111 West Washington Street Suite 300  
East Peoria, IL 61611**

**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.**

- Granville National Bank's ("GNB") record of lending to borrowers of different income levels to refinance their personal residences is good. GNB's lending to moderate-income people for home refinancing exceeds the percentage of moderate-income families in the Assessment Area ("AA"). GNB's lending to low-income people to refinance their personal residence is below the percentage of low-income families in the AA, however this is still considered satisfactory as seven percent (1990 census data) and four percent (2000 census data) of the households in the AA are below the poverty level.
- GNB's lending to businesses of different sizes is good. Seventy-five percent of the loans in 2002 and eighty-one percent of the loans in 2003 were made to small businesses. Likewise, seventy-three percent of the dollar volume from 2002 and seventy-four percent of the dollar volume from 2003 were originated to small businesses.
- A majority of the loans originated by GNB are to customers from within its AA. GNB's lending to customers within the AA for all loan types is reasonable.
- The bank's average net loan-to-deposit ratio over the last five years is reasonable.

## **DESCRIPTION OF INSTITUTION**

GNB is a \$43 million intrastate financial institution located near the intersection of Illinois Highways 89 and 71 in Putnam County, around twelve miles southwest of LaSalle-Peru, Illinois. GNB has one office in downtown Granville, with drive-up facilities and an ATM. The bank is a wholly owned subsidiary of Granville Bancshares, Inc., a three-bank holding company.

GNB's two primary lending products are residential real estate and commercial loans. These two products account for 78 percent of all loan originations during 2002 and 2003 and make up 74 percent of the outstanding loan balances as December 31, 2003. Thus, these two products were used for the analysis of this evaluation. Agricultural and consumer loans are not primary loan products as they only account for 22 percent of all loan originations during 2002 and 2003 and make up the remaining 26 percent of the outstanding loan balances as of December 31, 2003.

<b>Table 1 – Loan Originations by Loan Type for 2002 &amp; 2003</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Loans	\$10,785	43%
Commercial Loans	\$ 8,587	35%
Consumer Loans	\$ 3,082	12%
Agricultural Loans	\$ 2,404	10%
<b>Total</b>	<b>\$24,858</b>	<b>100%</b>

*Source: Bank Records from 2002 and 2003*

As of December 31, 2003, the bank reported \$28 million in outstanding loans and had a net loans and leases to total assets ratio of 66 percent. The loan portfolio consists of the following:

<b>Table 2 – Loan Portfolio Summary by Loan Type December 31, 2003</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Residential Loans	\$ 12,180	43%
Commercial Loans	\$ 8,714	31%
Consumer Loans	\$ 3,835	13%
Agricultural Loans	\$ 3,740	13%
<b>Total</b>	<b>\$ 28,469</b>	<b>100%</b>

*Source: Call Report 12/31/2003*

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability in helping to meet the credit needs of its community. Tier 1 capital was reported at \$3.6 million as December 31, 2003. The bank's previous CRA rating as of August 1998 was Satisfactory.

## **SCOPE OF THE EVALUATION**

The evaluation period covers loans originated during 2002 and 2003. The loans originated in 2002 are compared against the 1990 census data while the loans originated in 2003 are compared against the 2000 census data. The 2000 census data was not available until the 2003 calendar year.

## **DESCRIPTION OF ASSESSMENT AREA**

GNB's AA consists of Putnam County and remains unchanged from the prior examination. The Putnam County AA is comprised of two, middle-income Block Numbering Areas "BNAs." BNA #9545 comprises the eastern half of Putnam County, while BNA #9546 comprises the western half of Putnam County. This assessment area conforms to the regulation and does not arbitrarily exclude any low- or moderate-income areas. The following demographic information for the assessment area is based on census data.

**Table 3 – Demographic Information for Putnam County AA**

<b>Category of Information</b>	<b>1990 Census Data</b>		<b>2000 Census Data</b>	
Population:	5,730		6,086	
Total Housing Units	2,600	100%	2,888	100%
Occupancy: Owner Occupied Units	1,707	66%	1,988	69%
Renter Occupied Units	497	19%	427	15%
Vacant Units	396	15%	473	16%
Median Home Value	\$ 49,646		\$ 90,236	
Median Year Built	1961		1967	
2003 HUD Adjusted Median Family Income for Illinois Non-MSA	\$ 48,200			
Low Income Families	207	12%	201	11%
Moderate Income Families	283	17%	246	14%
Middle Income Families	424	26%	452	26%
Upper Income Families	755	45%	850	49%
Households living below the poverty level	173	7%	119	4%
Small Farms	84	93%	82	94%
Small Businesses	227	79%	182	66%

*Source: 1990 & 2000 Census Data*

**Economic Data**

The local economy is considered stable. The February 2004 unemployment rate for Putnam County of 8.4% is above the 6.0% national average and the 6.8% State of Illinois rate. The economy of the AA includes agricultural and manufacturing industries. Major employers include Mennie Machine Company, ISG Steel, Exolon Company, Anderson Microfilm, and the local school district. Other individuals in the AA work in the nearby cities of LaSalle-Peru and Peoria.

**CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The distribution of loans reflects satisfactory penetration among individuals of different income levels (including low-, and moderate-income) and businesses and farms of different sizes.

**Residential Real Estate Loans**

GNB’s lending to borrowers of different income levels regarding the refinancing of their personal residence is good. Based on our sample, the lending to moderate-income people for home refinancing exceeds the percentage of moderate-income families in the AA. While the lending to low-income people to refinance their personal residence is below the percentage of low-income families in the AA, this is still considered satisfactory because seven percent (1990

census) and four percent (2000 census) of the households in the AA are below the poverty level, respectively.

Since the bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act, the type of residential loan (purchase or refinance) and the income data on residential home loan borrowers is not maintained outside of the individual mortgage files. A sample of thirty-two home loans from 2002 found six home purchases and twenty-six home refinances and a sample of sixty-six home loans from 2003 found six home purchases and sixty home refinances. Bank personnel confirmed a majority of all residential lending during the examination period was for home refinancing. The volume of home purchase loans was not sufficient to perform a valid analysis.

**Table 4 – Borrower Distribution of Residential Real Estate Loans**

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
Home Refinance 2002	4%	12%	19%	17%	31%	26%	46%	45%
Home Refinance 2003	3%	11%	23%	14%	45%	26%	28%	49%
Total	3%	12%	22%	15%	41%	26%	34%	47%

Source: 1990 & 2000 Census data and bank records on residential real estate loans originated in 2002 and in 2003.

### Commercial Loans

GNB’s lending to businesses of different sizes is reasonable. From a sample of twenty-four and sixty-four commercial loans from 2002 and 2003, respectively, seventy-five percent of the loans in 2002 and eighty-one percent of the loans in 2003 were made to small businesses. Likewise, seventy-three percent of the dollar volume from 2002 and seventy-four percent of the dollar volume from 2003 were originated to small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. The demographic data for the Putnam County AA shows that seventy-eight percent in 2002 and sixty-six percent in 2003 of the businesses in the assessment area have revenues equal to or less than one million dollars.

**Table 5 – Borrower Distribution of Loans to Businesses originated in 2002 in the Putnam AA**

Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	18	75%	78%	\$ 1,024	73%
>\$1,000,000	6	25%	7%	\$ 388	27%
Total	24	100%	85%	\$ 1,412	100%

Source: Bank records on new loans originated in 2002.

\*\* 15% of AA businesses did not report revenue data.

<b>Table 6 – Borrower Distribution of Loans to Businesses originated in 2003 in the Putnam AA</b>					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	52	81%	66%	\$ 2,164	74%
>\$1,000,000	12	19%	5%	\$ 757	26%
Total	64	100%	71%	\$ 2,921	100%

Source: Bank records on new loans originated in 2003.

\*\* 29% of AA businesses did not report revenue data.

### Lending in the Assessment Area

A majority of the loans originated by GNB are to customers from within its AA. GNB's lending to customers within the AA for all loan types is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

<b>Table 7 – Loans Originated within the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential	128	84%	24	16%	152	\$ 8,959	83%	\$ 1,825	17%	\$10,784
Commercial	112	79%	29	21%	141	\$ 6,662	76%	\$ 1,925	24%	\$ 8,587
Consumer	207	73%	76	27%	283	\$ 2,175	71%	\$ 908	29%	\$ 3,083
Agriculture	31	61%	20	39%	51	\$ 1,374	57%	\$ 1,030	43%	\$ 2,404
Totals	478	76%	149	24%	627	\$19,170	77%	\$ 5,688	23%	\$24,858

Source: Bank records on new loans originated in 2002 and 2003. All of the loan originations in 2002 and in 2003 were used to calculate the ratios listed in the Table.

### Loan-to-Deposit Ratio

GNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. GNB's quarterly average loan-to-deposit ratio for the period April 1, 1998, to December 31, 2003, was seventy-four percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions located in the area, ranges from fifty-five percent to sixty-two percent. GNB's average loan-to-deposit ratio is higher than the other four similarly situated banks in the area, which range in asset size from \$20 million to \$98 million. The similarly situated banks utilized for comparison purposes are community banks located in Putnam and Marshall counties.

### Geographic Distribution of Loans

A geographic distribution of loans was not performed at this examination. All the geographies are middle-income, the analysis would not be meaningful.

### Responses to Complaints

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

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

We found no evidence of illegal discrimination or other illegal credit practices.