



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 28, 2009**

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

The Granville National Bank  
Charter Number 14035

328 South McCoy Street  
Granville, IL 61326-9333

Office of the Comptroller of the Currency

North Central Illinois and Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, IL 61611-2559

**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's) lending to borrowers of different income levels regarding residential real estate and consumers of different income levels is reasonable.
- GNB's quarterly average loan-to-deposit ratio of 70% is reasonable, given the bank's size, financial condition, and Assessment Area (AA) credit needs.
- A majority of GNB's loan originations are to customers within the AA.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses GNB's record of meeting the credit needs of the community in which it operates. We evaluated GNB under the Small Bank Community Reinvestment Act examination procedures, which include a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities.

The evaluation period for this examination is from March 29, 2004, through September 28, 2009. The lending test is based on GNB's primary loan products. To determine the primary loan products, we reviewed both originated and purchased loan volumes from January 1, 2007 through June 30, 2009. During that timeframe, by dollar volume, residential real estate loans represented 29 percent of all loan originations or purchases and consumer loans represented 27 percent. We used a sample of 20 of each of these loan products in our analysis.

## **DESCRIPTION OF INSTITUTION**

GNB is a \$44 million intrastate financial institution located near the intersection of Illinois Highways 89 and 71 in Putnam County, approximately twelve miles southwest of LaSalle-Peru, Illinois. GNB has one office in downtown Granville, which includes a drive-up facility and an ATM (located in the drive-up).

The bank is a wholly owned subsidiary of Granville Bancshares, Inc., a two-bank holding company, with total assets of \$68 million as of June 30, 2009. The two banks in Granville Bancshares, Inc. portfolio are GNB located in Granville and Sheridan State Bank in Sheridan. Both institutions are located in Illinois.

GNB has not opened or closed any facilities since the previous CRA examination. GNB continues to operate under the strategy of ensuring the products and services they offer enhance the communities they serve.

GNB's two primary lending products are residential real estate and consumer loans. These two products account for 74 percent of the number of all loans originated from

January 1, 2007 through June 30, 2009 and make up 56 percent of the total loan portfolio. These two products were used for the analysis of this evaluation. As of June 30, 2009, the bank reported \$24 million in outstanding loans and had a net loans and leases to total assets ratio of 55 percent.

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability to meet the credit and community needs of its AA. The bank's previous CRA rating as of March 29, 2004, was satisfactory.

## DESCRIPTION OF ASSESSMENT AREA(S)

GNB's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA includes all of Putnam County, which represents no change from the prior evaluation. The 2000 U.S. Census data indicates this AA does not contain any low-, moderate-, or upper-income CTs. All CTs in the AA are designated as middle-income.

Competition for financial services within the AA includes three banks. All banks have a similar business focus. Per the Federal Deposit Insurance Corporation (FDIC) market share report dated June 30, 2008, GNB ranks second and serves 30% of the market share.

The following is demographic information for the AA:

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	2	0.00	0.00	100.00	0.00
Population by Geography	6,086	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	1,988	0.00	0.00	100.00	0.00
Business by Geography	422	0.00	0.00	100.00	0.00
Farms by Geography	77	0.00	0.00	100.00	0.00
Family Distribution by Income Level	1,749	11.66	14.12	26.13	48.09
Distribution of Low and Moderate Income Families throughout AA Geographies	451	0.00	0.00	100.00	0.00
Median Family Income		43,613	Median Housing Value	90,236	
HUD Adjusted Median Family Income for 2009		54,400	Unemployment Rate (2000 US Census)	2.40%	
Households Below Poverty Level		5%			

## Economic Data

As a result of the national economic environment, Putnam County has seen a change within the local economy. The unemployment rate has climbed from 8.0 percent in January 2007, to 15.4 percent in July 2009. The unemployment rate remains well above the State of Illinois unemployment rate of 10.5 percent. A contributor to the increase in the unemployment rate is the closing of the steel mill in Hennepin, IL. The

closing of this factory resulted in 287 people losing their jobs. The economy of the AA includes agricultural and manufacturing industries. Major employers include Mennie Machine Company, Exolon Company, Anderson Microfilm, and the local school district. Other individuals in the AA work in the nearby cities of LaSalle-Peru and Peoria.

We contacted a community representative during the examination. The representative indicated there were no direct credit needs not being met by banks in the community. The contact felt GNB and other financial institutions continue to actively meet the credit needs of the community, including low- and moderate- income individuals and families through appropriate products and services.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

GNB's average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and AA credit needs. GNB's quarterly average LTD for the evaluation period (January 1, 2004 through June 30, 2009) is 70 percent. The quarterly average LTD ratio for other similarly situated financial institutions ranged from 49 percent to 102 percent. Total assets for these institutions range from \$17 million to \$144 million.

### Lending in Assessment Area

GNB originates a majority of its loans to borrowers located in the AA. The following table details the bank's lending within the AA by the number of loan originations and dollar volume during the evaluation period.

Loans Originated within the AA										
Loan Type	Number of Loans					Dollar of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential RE	14	70%	6	30%	20	\$1,221	58%	\$899	42%	\$2,120
Consumer	13	65%	7	35%	20	\$147	58%	\$105	42%	\$252
Totals	27	68%	13	32%	40	\$1,368	58%	\$1,004	42%	\$2,372

Source: Bank records, loans sampled from January 1, 2007 through June 30, 2009

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

The distribution of loans reflects satisfactory dispersion among individuals of different income levels and businesses of different sizes.

### Residential Real Estate Loans

GNB's lending to borrowers of different income levels is reasonable. Based on our sample of residential real estate loans, GNB's lending to low-income borrowers was slightly below the percentage of low-income families within the AA. However, lending to moderate-income borrowers exceeded the percentage of moderate-income families within the AA.

<b>Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Families Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential RE	12%	10%	14%	20%	26%	35%	48%	35%

Source: Bank records on loans originated or purchased from January 1, 2007 to June 30, 2009; 2000 Census Data.

### Consumer Loans

GNB's lending to borrowers of different income levels is reasonable. Based on our sample of consumer loans, GNB's lending to moderate-income borrowers was slightly below the percentage of moderate-income families within the AA. However, lending to low-income borrowers exceeded the percentage of low-income families within the AA.

<b>Borrower Distribution of Consumer Loans in the AA</b>								
Household Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number
Consumer	13%	15%	15%	10%	19%	30%	54%	45%

Source: Bank records on loans originated or purchased from January 1, 2007 to June 30, 2009; 2000 Census Data.

### Geographic Distribution of Loans

A geographic distribution of loans is not applicable to this institution since all geographies are middle-income.

### Responses to Complaints

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

### Fair Lending or Other Illegal Credit Practices Review

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