



## **PUBLIC DISCLOSURE**

October 27, 2014

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

The Granville National Bank  
Charter Number: 14035

328 South McCoy Street  
Granville, Illinois 61326

Office of the Comptroller of the Currency

211 Fulton Street  
Suite 604  
Peoria, Illinois 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: This institution is rated Satisfactory**

The Lending Test is rated: **Satisfactory**

- The quarterly average loan-to-deposit (LTD) ratio over the evaluation period is reasonable.
- A majority of the loans originated are to customers within the assessment area (AA).
- The distribution of loans to households of different income levels and to farms of different sizes reflects reasonable penetration.

**SCOPE OF EXAMINATION**

This Community Reinvestment Act Performance Evaluation (CRA PE) assesses The Granville National Bank's (GNB's or bank's) ability of meeting the credit needs of the communities in which it operates. We evaluated GNB using the Small Bank performance criterion, which includes a lending test. The lending test evaluates the bank's ability to meet the credit needs of its AA through its lending activities.

The evaluation covers the period between the date of the prior CRA PE of September 28, 2009, and October 27, 2014. The rating of the previous CRA PE was Satisfactory.

We based the lending test on the primary loan products for the AA, utilizing the volume of loan originations from January 1, 2012, through December 31, 2013. We based our conclusions regarding the lending performance on the agriculture and consumer automobile (consumer) loans originated from January 1, 2012, through December 31, 2013, utilizing 2010 U.S. Census data.

We obtained and reviewed a random sample of agriculture and consumer loans originated during the evaluation period. We obtained the income of households and revenues of farms, as well as geocoding data for each individual loan in our sample.

**DESCRIPTION OF INSTITUTION**

GNB is a community bank with assets of \$54 million and headquartered in Granville, Illinois, near Illinois Highways 71 and 89 in Putnam County. GNB has one office with a drive-up facility and ATM. There were no branch closures or openings during the evaluation period.

GNB's lending strategy is to ensure that the products and services they offer meet the needs of the communities they serve. The bank offers a wide variety of lending options, which include agriculture, commercial, residential, and consumer loans.

The bank originated 588 loans totaling \$15 million from January 1, 2012, through December 31, 2013. The primary lending products are agriculture loans and consumer loans. Agriculture lending accounted for 39 percent of the dollar volume, while consumer lending accounted for 35 percent of the number of loan originations.

The loan portfolio consists of the following:

| <b>Table 1 – Loan Portfolio Summary by Loan Type as of June 30, 2014</b> |                       |                 |
|--|-----------------------|-----------------|
| <b>Loan Category</b>   | <b><u>\$(000)</u></b> | <b><u>%</u></b> |
| Residential Loans  | \$10,941              | 53%             |
| Commercial Loans   | \$5,566               | 27%             |
| Agriculture Loans  | \$2,177               | 11%             |
| Consumer Loans   | \$1,961               | 9%              |
| <b>Total Loans</b>   | <b>\$20,645</b>       | <b>100%</b>     |

Source: June 30, 2014 Call Report

GNB is a wholly owned subsidiary of Granville Bancshares, Inc., a two-bank holding company with assets of \$84 million, as of June 30, 2014. Granville Bancshares, Inc.'s portfolio consists of GNB and Sheridan State Bank in Sheridan, Illinois. Granville Bancshares, Inc. does not negatively affect GNB's ability to meet the credit needs of the community.

There are no legal or financial circumstances impeding the bank's ability to meet the credit needs of its AA.

## **DESCRIPTION OF ASSESSMENT AREA**

GNB's AA includes five census tracts (CTs) across three counties. One CT is located in Bureau County, two CTs are in LaSalle County, and two CTs are in Putnam County. There are no low- or moderate-income CTs in the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CTs.

Competition among financial institutions in the AA is strong due to the proximity to the cities of Peru and LaSalle, Illinois. GNB competes for loans with credit unions, state and national banks, state and federal thrifts, as well as other financial entities that target agriculture and consumer lending. GNB held a 1.3 percent deposit market share among 34 FDIC insured financial institutions in Bureau, LaSalle, and Putnam counties.

Primary employment sectors include agriculture, manufacturing, and service industries. Unemployment remains elevated in Bureau, LaSalle, and Putnam counties and compares unfavorably to the State of Illinois unemployment rate of 6.2 percent at September 30, 2014.

We contacted an elected official in Granville, Illinois. The local official said the economy is mostly stagnant. He noted agriculture and manufacturing as the major industries in the area. He had positive opinions of the bank, stating the bank is an asset to the community.

| <b>Table 2 – 2013 Demographic Information for Assessment Area</b>          |        |        |                      |         |        |        |
|--|--------|--------|----------------------|---------|--------|--------|
|  |        | Low    | Moderate             | Middle  | Upper  | NA     |
| Demographic Characteristics  | #      | % of # | % of #               | % of #  | % of # | % of # |
| Geographies (Census Tracts/BNAs)   | 5      | 0.00   | 0.00                 | 80.00   | 20.00  | 0.00   |
| Population by Geography  | 16,885 | 0.00   | 0.00                 | 82.06   | 17.94  | 0.00   |
| Owner-Occupied Housing by Geography  | 5,306  | 0.00   | 0.00                 | 81.79   | 18.21  | 0.00   |
| Business by Geography  | 1,094  | 0.00   | 0.00                 | 76.87   | 23.13  | 0.00   |
| Farms by Geography   | 187    | 0.00   | 0.00                 | 69.52   | 30.48  | 0.00   |
| Family Distribution by Income Level  | 4,667  | 14.98  | 17.33                | 23.63   | 44.05  | 0.00   |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 1,508  | 0.00   | 0.00                 | 85.88   | 14.12  | 0.00   |
| Median Family Income   |        | 54,499 | Median Housing Value | 113,892 |        |        |
| FFIEC Adjusted Median Family Income for 2014                               |        | 58,600 | Unemployment Rate:   |         |        |        |
| Households Below Poverty Level   |        | 11.5%  | Bureau County        | 7.7%    |        |        |
| Families Below Poverty Level   |        | 8.2%   | LaSalle County       | 7.6%    |        |        |
|  |        |        | Putnam County        | 7.3%    |        |        |

Source: 2010 US Census and 2013 FFIEC updated MFI; Unemployment information from Bureau of Labor Statistics, September 30, 2014.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

GNB meets the standard for Satisfactory performance.

### Loan-to-Deposit Ratio

GNB's average loan-to-deposit (LTD) ratio is reasonable given the size, financial condition, and lending opportunities available in the AA. The quarterly LTD ratio averaged 49 percent over twenty quarters from September 30, 2009, to June 30, 2014, with a low of 41 percent and high of 61 percent. GNB's average LTD ranks tenth out of twelve similarly situated institutions. The similarly situated financial institutions, which range in size from \$30 million to \$211 million, are community institutions located in Putnam, Bureau, and La Salle Counties. These institutions had an overall average LTD of 58 percent, with an average low of 35 percent and an average high of 85 percent.

### Lending in Assessment Area

The majority of loans originated by GNB during the evaluation period, by both number and dollar volume, were to customers within its AA.

| <b>Table 3 - Lending in Assessment Area</b> |                 |     |         |     |       |                  |     |         |     |               |
|---|-----------------|-----|---------|-----|-------|------------------|-----|---------|-----|---------------|
| Loan Type                                   | Number of Loans |     |         |     |       | Dollars of Loans |     |         |     |               |
|   | Inside          |     | Outside |     | Total | Inside           |     | Outside |     | Total \$(000) |
|   | #               | %   | #       | %   |       | \$(000)          | %   | \$(000) | %   |               |
| Agriculture                                 | 27              | 90% | 3       | 10% | 30    | 2,402            | 95% | 120     | 5%  | 2,522         |
| Consumer Autos                              | 26              | 87% | 4       | 13% | 30    | 243              | 85% | 44      | 15% | 287           |
| Totals                                      | 53              | 88% | 7       | 12% | 60    | 2,645            | 94% | 164     | 6%  | 2,809         |

Source: Bank records of loans originated between January 1, 2012 and December 31, 2013

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

The lending to households of different incomes and to farms of different sizes reflects reasonable penetration.

Agriculture

The distribution of loans to small farms reflects reasonable penetration among farms of different sizes.

| <b>Table 4 - Borrower Distribution of Loans to Farms in AA</b> |              |              |                      |       |
|--|--------------|--------------|----------------------|-------|
| Farm Revenues  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Farms  | 98%          | 2%           | 0%                   | 100%  |
| % of Bank Loans in AA by #                                     | 88%          | 12%          | 0%                   | 100%  |
| % of Bank Loans in AA by \$                                    | 60%          | 40%          | 0%                   | 100%  |

Source: Agriculture loan sample and 2013 Geodemographic business data

Consumer

The distribution of consumer loans reflects excellent penetration. Performance in low- and moderate-income households significantly exceeds the standard for satisfactory performance.

| <b>Table 5 - Borrower Distribution of Consumer Loans in AA</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Borrower Income Level  | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
|  | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer Autos   | 23%                | 36%                  | 14%                | 24%                  | 17%                | 32%                  | 46%                | 8%                   |

Source: Consumer loan sample and 2010 US Census data

### **Geographic Distribution of Loans**

We did not perform a geographic analysis of the distribution of loans for this evaluation. Since all of the geographies in the AA are middle- or upper-income, the analysis is not meaningful.

### **Responses to Complaints**

GNB did not receive any complaints during the 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.