



PUBLIC DISCLOSURE

April 1, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Guardian Savings Bank
Charter Number 704485

3800 Nameoki Road
Granite City, IL 62040

Office of the Comptroller of the Currency

500 North Boulevard, Suite 1700
St. Louis, MO 63102

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 major factors that support this rating are:

- Lending to individuals with different income levels is excellent.
- The distribution of loans among geographies reflects reasonable dispersion.
- A substantial majority of loans are originated within the assessment area (AA).
- The loan-to-deposit ratio is reasonable.

SCOPE OF EXAMINATION

This Performance Evaluation of the Guardian Savings Bank (GSB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated GSB under the Small Bank performance criteria, which consist of a Lending Test. The Lending Test evaluates GSB's record of helping to meet the credit needs of its AA through its lending activities.

GSB has one AA, which includes all of Madison County in South Central Illinois. This AA is part of the St. Louis MO-IL Metropolitan Statistical Area (MSA). This AA received a full-scope review.

The evaluation period is from June 2, 2008 through March 31, 2014. Conclusions regarding the bank's lending performance are based on GSB's primary loan product, residential real estate (RRE).

We conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA). We found the HMDA data to be accurate and reliable. We analyzed all HMDA loans that GSB originated or purchased from January 1, 2012 through December 31, 2013 using 2010 census information and 2012 aggregate peer data. For the analysis of borrower and geographic distribution, we placed most weight on the comparison of GSB's performance to the 2012 aggregate peer data.

DESCRIPTION OF INSTITUTION

GSB is a federally chartered mutual savings bank with one office located in Granite City, IL., which has a deposit-taking automated teller machine (ATM) on the premises. This office is located in a middle-income census tract (CT 4008.01). There have been no changes in the bank's corporate structure since the last CRA examination. GSB has no holding company, affiliates, or subsidiaries. No branches were opened or closed since the prior CRA evaluation.

GSB’s business strategy is to operate as a traditional thrift through the solicitation of deposits from the local community and the origination of one-to-four family mortgage loans. As of December 31, 2013, GSB has total assets of \$38 million, total deposits of \$29 million, net loans of \$11 million, and a net Tier 1 Capital of \$8 million. Net loans represent 28% of total assets. The loan portfolio consists of RRE loans (99%) and consumer loans (1%).

To help meet the community’s credit needs, GSB offered three programs to help people afford home ownership. The FHLB Chicago Down Payment Plus grant program is a first time homebuyers program granting up to \$8,000 to assist low- and moderate-income borrowers. The Madison County Community Development first time homebuyers program provided up to \$5,000 down payment and closing cost assistance for low- and moderate-income first time homebuyers. The Illinois State Treasurer’s Finally Home program offered low- and moderate-income borrowers up to 10% mortgage guarantee to help them qualify for an affordable loan. Under the program guidelines, GSB made eight loans totaling \$366,100 in 2012 and eight loans totaling \$415,650 in 2013.

There are no legal, financial, or other factors impeding GSB’s ability to help meet the credit needs of the AA it serves. GSB was rated “Satisfactory” at its last CRA evaluation dated June 2, 2008.

DESCRIPTION OF ASSESSMENT AREA

GSB’s AA is all of Madison County in Illinois. The AA is a portion of the St. Louis MO-IL Metropolitan Statistical Area (MSA #41180). GSB has one branch located in Madison County, IL. The AA meets the regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies.

Below is some key 2010 Census information for the AA:

Demographic Information for Full Scope Area: GSB Madison County, IL AA – 2010 Census					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	61	6.56	26.23	50.82	16.39
Population by Geography	269,282	3.83	23.17	51.21	21.79
Owner-Occupied Housing by Geography	79,569	2.78	22.27	53.36	21.59
Business by Geography	17,365	3.62	21.48	50.00	24.90
Farms by Geography	885	0.68	9.04	53.90	36.38
Family Distribution by Income Level	71,492	22.17	17.74	22.82	37.27
Distribution of Low and Moderate Income Families throughout AA Geographies	28,533	6.76	34.29	47.54	11.41
Median Family Income		67,013	Median Housing Value		127,100
HUD Adjusted Median Family Income (MFI) for 2013		69,200	Unemployment Rate (2010 US Census)		3.67%
Households Below Poverty Level		12%			

Source: 2010 US Census and 2013 HUD updated MFI

Major employers in Madison County include Southern Illinois University Edwardsville with 2,450 employees, four manufacturing companies (U.S. Steel, Olin Brass, DuCoa Company, and American Steel Foundries) with a combined total of 5,760 employees, three health care organizations (Gateway Regional Medical Center, Southwestern Illinois Health Facilities Inc., and St. Anthony's Health Center) with nearly 3,000 employees, and county government with 1,130 employees.

The area economy is starting to improve. As of February 2014, the unemployment rate in Madison County is 8.6%, lower than the State of Illinois rate of 9.4%. Since February 2013, the county and state unemployment rates have dropped from 9.1% and 10.0%, respectively.

Bank competition is strong in the AA. As of June 30, 2013, 26 financial institutions operate 97 offices in the AA. GSB ranks 23rd, with only a 0.66% deposit market share in the AA. The AA is also serviced by multiple credit unions, mortgage companies, insurance offices and other businesses that offer lending services.

We contacted a local community development organization that serves Madison County. The contact did not identify any unmet credit needs. The contact stated that the local banks are active in assisting applicants with the homebuyer's program.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

GSB does a reasonable job of meeting the credit needs of its AA given the bank's small size, limited presence and resources, product offerings, improving but poor economy, and strong competitive pressures.

Loan-to-Deposit Ratio

GSB has demonstrated a reasonable level of lending within its AA. Although GSB's loan-to-deposit (LTD) ratio is low, it is reasonable given its limited presence and resources in the AA, the strong competition from full-service financial institutions, and its business strategy of focusing on the originations of RRE loans.

As of December 31, 2013, GSB's LTD is 37%. The bank's quarterly average LTD ratio since the last CRA evaluation is 39%. This ratio is higher than one and lower than eight comparable thrifts with assets between \$45 million and \$260 million, with a high percentage of RRE loans in their loan portfolios, and that are located in an MSA in the State of Illinois. These thrifts are comparable in size, offer similar products, and serve similar types of geographies. The quarterly average LTD ratio of these thrifts ranged from 27% to 93% for the same period.

Lending in Assessment Area

GSB originated a substantial majority of its RRE loans inside the AA. Based on all 2012 and 2013 HMDA data, 95% by number and 95% by dollar amount are made within the bank's AA.

Lending in Madison County										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Home Purchase	25	96%	1	4%	26	1,506	97%	44	3%	1,550
Home Improvement	4	80%	1	20%	5	37	79%	10	21%	47
Home Refinancing	26	96%	1	4%	27	2,099	94%	129	6%	2,228
Totals	55	95%	3	5%	58	3,642	95%	183	5%	3,825

Source: RRE loan data reported under 2012-2013 HMDA

Lending to Borrowers of Different Incomes

GSB's lending distribution to borrowers of different income levels reflects excellent penetration in the AA.

Residential Real Estate Loans

The borrower distribution of RRE loans made in 2012 and 2013 is excellent. The percentage of RRE loans made to low-income borrowers (31%) significantly exceeds both the HMDA Peer (9%) and the percentage of low-income families in the AA (22%). The percentage of RRE loans made to moderate-income borrowers (29%) also significantly exceeds both the HMDA Peer (17%) and the percentage of moderate-income families in the AA (18%).

Borrower Distribution of Residential Real Estate Loans in Madison County			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	30.91%	9.27%	22.17%
Moderate	29.09%	17.45%	17.74%
Middle	14.55%	21.83%	22.82%
Upper	25.45%	37.04%	37.27%
Unavailable	0.00%	14.41%	0.00%
Total	100.00%	100.00%	100.00%

Source: GSB's 2012-2013 HMDA data; 2012 HMDA Peer data; and 2010 U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of RRE loans reflects reasonable dispersion in the AA. Most of the RRE loans are made in geographies that are in close proximity of GSB’s only office.

Residential Real Estate Loans

GSB’s overall geographic distribution of 2012 and 2013 RRE loans is reasonable. While the percentage of RRE loans made to borrowers in low-income CTs (0%) is lower than both peer (0.78%) and the percentage of owner-occupied housing in the low-income CTs (2.78%), the percentage of RRE loans made to borrowers in moderate-income CTs (35%) significantly exceeds both peer (12%) and the percentage of owner-occupied housing in the moderate-income CTs (22%).

Opportunities to lend in the low-income CTs are limited due to the low percentage of owner-occupied housing and the high level of families living below the poverty level (29.5%) in these CTs.

Geographic Distribution of Residential Real Estate Loans in Madison County			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	0.00%	0.78%	2.78%
Moderate	34.55%	12.25%	22.27%
Middle	63.64%	54.20%	53.36%
Upper	1.81%	32.77%	21.59%
Total	100.00%	100.00%	100.00%

Source: GSB’s 2012-2013 HMDA data; 2012 HMDA Peer; and 2010 U.S. Census data.

Responses to Complaints

GSB has not received any complaints about its performance in helping to meet community credit needs since the last CRA evaluation.

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.