



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 31, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Grand Ridge
Charter Number: 6684

105 West Main Street
Grand Ridge, Illinois 61325

Office of the Comptroller of the Currency

North Central Illinois & Eastern Iowa Field Office
111 West Washington Street, Suite 300
East Peoria, Illinois 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

The First National Bank of Grand Ridge ("FNB") is rated satisfactory.

The major factors that support FNB's rating include:

- FNB's distribution of loans to borrowers of different income levels and to farms of different sizes is excellent.
- A majority of the loans originated by FNB are to customers from within its assessment area ("AA").
- FNB's quarterly average loan-to-deposit ratio of sixty percent over the evaluation period is reasonable, given the bank's size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion, which includes 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 covers loans originated or purchased from December 23, 2002 through February 29, 2008.
- FNB has one AA, generating a majority of the bank's loans and deposits. The lending test is based on FNB's primary loan products.
- Conclusions regarding the bank's lending performance are based on agricultural, residential, and consumer loans originated or purchased from January 1, 2006 through February 29, 2008, utilizing 2000 census data.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act.
- FNB is not required to maintain revenue or income information on agricultural, residential, and consumer loans outside of the individual credit files. However, due to the small volume of lending activity, we were able to utilize all of the agriculture and residential loans originated during the evaluation period to assess the level of lending to farms of different sizes and to assess the range of distribution of families of different incomes. For the consumer loans, we used a sample of 40 loans originated during the evaluation period to assess the range of distribution by households of different incomes.

DESCRIPTION OF INSTITUTION

FNB is a community bank in Grand Ridge, Illinois, which is located along Illinois State Highway 23 between Ottawa and Streator in LaSalle County in Northern Central Illinois. As of December 31, 2007, FNB reported total assets of \$28 million. FNB is headquartered in one facility in the business district of Grand Ridge, a village of approximately 550 people. The bank does not have a drive-up facility and does not own or operate any Automated Teller Machines.

FNB offers debit cards providing customers with additional access to their accounts at point of sale and ATM locations.

FNB is a majority-owned subsidiary of G R Bancorp, a one-bank holding company located in Grand Ridge, Illinois. As of December 31, 2007, the holding company had total assets of \$24 million. The holding company does not own any additional subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community. FNB's business strategy of providing personal, friendly service to meet their customer's banking needs, has not changed.

FNB has three primary lending products; agriculture, residential, and consumer loans. Agricultural and residential lending account for 79 percent of the amount of all loan originations during the evaluation period and make up 73 percent of the outstanding loan balances as December 31, 2007. Although consumer loans do not have a large dollar amount of originations, they did account for 47 percent of the number of all loans originated over the evaluation period. Therefore, consumer loans were included in the sampling and used in the analysis of this evaluation. Commercial lending is not a primary loan product, accounting for 11 percent of the amount and 13 percent of the number of loan originations during the evaluation period, and the remaining 20 percent of the outstanding loan balances as of December 31, 2007.

Table 1 – Loan Originations by Loan Type from January 1, 2006 through February 29, 2008				
Loan Category	\$ (000)	%	#	%
Agricultural Loans	\$ 9,629	65%	195	35%
Residential Loans	\$ 1,976	14%	31	5%
Commercial Loans	\$ 1,680	11%	71	13%
Consumer Loans	\$ 1,483	10%	264	47%
Total Originations	\$ 14,768	100%	561	100%

Source: Bank Records from January 1, 2006 – February 29, 2008

As of December 31, 2007, the bank reported \$12 million in outstanding loans and had a net loans and leases to total assets ratio of 42 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type December 31, 2007		
Loan Category	\$(000)	%
Agriculture Loans	\$ 5,067	42%
Residential Loans	\$ 3,671	31%
Commercial Loans	\$ 2,378	20%
Consumer Loans	\$ 828	7%
Total Loans	\$ 11,944	100%

Source: Call Report December 31, 2007

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 the communities within its AA. Tier 1 capital was reported at \$3.6 million as December 31, 2007. The bank's previous CRA rating as of December 23, 2002, was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has one AA consisting of the southern portion of LaSalle County, which includes eight census tracts ("CTs"). The 2000 U.S. Census data shows this AA does not contain any low- or moderate-income CTs. There are six CTs in the AA designated as middle-income and two CTs designated as upper-income.

Competition for financial services within the AA consists of several state and national banks, along with several branches of larger banks located in Ottawa, Streator and LaSalle-Peru.

The following is demographic information for the assessment area:

Table 3 - Demographic Information for the Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	8	0%	0%	75%	25%
Population by Geography	32,551	0%	0%	78%	22%
Owner-Occupied Housing by Geography	9,726	0%	0%	79%	21%
Businesses by Geography	1,776	0%	0%	84%	16%
Farms by Geography	234	0%	0%	76%	24%
Family Distribution by Census Tract	8,873	0%	0%	78%	22%
Family Distribution by Income Level	8,873	15%	18%	21%	46%
Household Distribution by Income Level	12,939	20%	16%	19%	45%
Median Family Income	\$48,373	Median Housing Value			\$76,741
Median Household Income	\$38,330	Median Year Built			1954
2007 HUD Adjusted Median Family Income for Illinois Non-MSA	\$50,600	Average Monthly Gross Rent			\$ 454
Families Below the Poverty Level	7%	Households Below the Poverty Level			9%

Source: 2000 U.S. Census Data

Economic Data

The local economy is dominated by agriculture, which has experienced two very good years. However, starting with the 2008 operating year, the economy has begun to experience a tightening due to the high cost of inputs, all affected by the surge in oil and commodity prices. The February 2008 unemployment rate of 8.1% for LaSalle County is well above the national average of 4.8% and the State of Illinois average of 5.5%. Major employers include: the Ottawa Community Hospital, PetsMart, Wal-Mart, CostCo, and Tyson Foods warehouse distribution centers, Exelon Corporation, Lyondell Chemical Company, Clover Technologies, Inc., the local school district, and the local governmental entities.

We contacted a local businessman during the examination. The contact indicated the primary credit needs in the AA are agriculture, residential and general consumer loans. He felt FNB is actively meeting the credit needs of the area. The contact stated the economy in the area is experiencing a strain due to higher fuel and agricultural input prices resulting in less disposable income. The contact indicated FNB remains supportive of the financial needs of Grand Ridge. The contact did not know of any credit needs or banking services not met or provided for by the local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB meets the standards for satisfactory performance.

- The distribution of loans to individuals of different income levels and to farms of different sizes is excellent.
- A majority of the loans originated by FNB are to customers from within its AA.
- FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels (including low-, and moderate-income) and farms of different sizes.

Agriculture Loans

FNB's performance of lending to farms of different sizes is excellent. Based on our sample, ninety-nine percent of the number of loans and dollar amounts were made to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows that ninety-eight percent of the farms reporting revenue data in the AA have revenues equal to or less than one million dollars.

The following table shows the distribution of agricultural loans among farms of different sizes within the AA:

Table 4 – Borrower Distribution of Loans to Farms of Different Sizes					
Farm Revenues	Number of Loans		% Farms in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	117	99%	98%	\$ 4,830	99%
>\$1,000,000	1	1%	1%	\$ 20	1%
Total	118	100%	99%	\$ 4,850	100%

Source: Bank records on new loans originated from January 1, 2006 to February 29, 2008; 2000 Census Data.

** 1 percent of AA farms did not report revenue data.

Residential Real Estate Loans

The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among individuals of different income levels. In making this determination,

we weighed the performance with low- and moderate-income families.

FNB's lending to low-income borrowers is excellent and exceeds the percentage of low-income families. The lending to moderate-income borrowers is reasonable and above the percentage of moderate-income families. The overall lending to low- and moderate-income borrowers is excellent, given that seven percent of the families in the AA are below the poverty level.

Table 5 – Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower 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 Real Estate	15%	25%	18%	20%	21%	35%	46%	20%

Source: Bank records on loans originated or purchased from January 1, 2006 to February 29, 2008; 2000 Census Data.

Consumer Loans

FNB's lending to borrowers of different income levels regarding consumer loans is excellent. Based on our sample, lending to low-income borrowers is significantly above the percentage of low-income households in the AA, and in addition the lending to moderate-income borrowers is well above the percentage of moderate-income households in the AA.

Table 6 – Borrower Distribution of Consumer Loans in the AA								
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	20%	40%	16%	25%	19%	10%	45%	25%

Source: Bank records on loans originated or purchased from January 1, 2006 to February 29, 2008; 2000 Census Data.

LENDING IN THE ASSESSMENT AREA

A majority of the loans originated by FNB are to customers within its AA. FNB'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.

Table 7 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agriculture	118	61%	77	39%	195	\$ 4,850	50%	\$4,778	50%	\$ 9,628
Residential	20	65%	11	35%	31	\$ 1,017	51%	\$ 959	49%	\$ 1,976
Consumer	148	56%	116	44%	264	\$ 911	61%	\$ 572	39%	\$ 1,483
Totals	286	58%	204	42%	490	\$ 6,778	52%	\$6,309	48%	\$13,087

Source: Bank records on new loans originated in 2006, 2007, and through February 29, 2008.

LOAN-TO-DEPOSIT RATIO

FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period October 1, 2002, to December 31, 2007, was sixty percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from fifty-five percent to seventy-eight percent. FNB's average loan-to-deposit ratio is comparable with the other six similarly situated banks, which range in asset size from \$18 million to \$50 million. The similarly situated banks utilized for comparison purposes are community banks located in LaSalle, Livingston and Putnam County.

GEOGRAPHIC DISTRIBUTION OF LOANS

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

RESPONSES TO COMPLAINTS

FNB 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 discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.