



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**May 24, 2005**

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

**Granite Community Bank, National Association  
Charter Number 24289**

**4100 Douglas Boulevard  
Granite Bay, CA 95746**

**Office of the Comptroller of the Currency  
Western District  
San Francisco Field Office  
One Front Street, Suite 1000  
San Francisco, CA 94111**

**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 COMMUNITY REINVESTMENT ACT (CRA) RATING**

This institution is rated “**SATISFACTORY.**”

Granite Community Bank, N.A., satisfactorily meets the credit needs of its assessment area (AA), including low-and moderate-income areas, consistent with its resources and capabilities. The following supports this rating:

- The bank’s loan-to-deposit ratio exceeds the standard for satisfactory performance.
- The bank’s lending in its AA meets the standard for satisfactory performance.
- The bank’s distribution of loans to businesses of different sizes meets the standard for satisfactory performance.
- The bank's geographic distribution of loans meets the standards for satisfactory performance.
- There were no public complaints about the bank’s CRA performance.

## **DESCRIPTION OF INSTITUTION**

Granite Community Bank, N.A. (GCB) is an independently owned community bank that opened on June 4, 2002 and is headquartered in Granite Bay, California. GCB provides full service banking through its headquarters office and one branch in Placer County. ATM services are available at each location. GCB also has one Loan Production Office in Butte County, which opened June 4, 2002. GCB’s primary banking focus is in serving the business community in their AA, however, consumer and home mortgage products are also available.

There are no legal or financial factors that impede the bank’s ability to help meet the credit needs of its community. As of December 31, 2004, GCB had total assets of \$91 million with \$63 million in loans, which represents net loans to total assets of 69%. This is GCB’s first CRA examination.

*Please refer to the bank’s CRA public file for more information about the institution.*

## **DESCRIPTION OF ASSESSMENT AREA**

The bank’s AA meets the regulation’s requirement and does not arbitrarily exclude low-or moderate-income geographies. It includes 50 census tracts located in the Sacramento-

Arden-Arcade Metropolitan Statistical Area (MSA). The 1990 U.S. Census data reflected no low- and moderate-income tracts in the bank's AA. However, the 2000 U.S. Census data, which became effective in January 2003, changed the census tract designations and indicated that the percentage of low- and moderate- income tracts in the AA was 6%. This area's population is approximately 264,978 according to the 2000 U.S. Census data.

GCB faces strong competition from 42 banks operating within the AA. GCB ranks 34<sup>th</sup> in market share with .23%. The five largest banks hold a total of 66% of the market share. The competing institutions include, in part, Bank of America, Wells Fargo, U.S. Bank, Washington Mutual, and World Savings Bank.

In conjunction with this CRA examination, we conducted a community contact interview with a representative from a small business development center to learn about credit opportunities within the community and whether financial institutions address the credit and service needs of the community. The representative stated there is a need for more local financial institutions to provide financial donations to support the economic development activities for small businesses.

*Please refer to the bank's CRA public file for more information about the Assessment area.*

## **DETERMINATION OF PRIMARY LOAN PRODUCTS**

Table 1 reflects the bank's loan portfolio by number and dollar volume.

Table 1

<b>Granite Community Bank Loan Portfolio Composition As of April 29, 2005</b>				
<b>Loan Type</b>	<b>Number</b>	<b>Percentage</b>	<b>Dollar (000)*</b>	<b>Percentage</b>
<b>Business Loans</b>	<b>287</b>	<b>68%</b>	<b>\$92,709</b>	<b>86%</b>
<b>Consumer Loans</b>	<b>75</b>	<b>18%</b>	<b>\$2,177</b>	<b>2%</b>
<b>Home Loans</b>	<b>60</b>	<b>14%</b>	<b>\$12,389</b>	<b>12%</b>
<b>Farm Loans</b>	<b>0</b>	<b>0%</b>	<b>\$0</b>	<b>0%</b>
<b>TOTAL</b>	<b>422</b>	<b>100%</b>	<b>\$107,275</b>	<b>100%</b>

*Source: Bank data*

*\*Reflects total commitment amount.*

Business loans are the bank's primary loan product. As such, we analyzed a random selection of business loans for this performance evaluation. We analyzed loans originated between June 17, 2002 and December 31, 2004.

We compared loans originated in 2002 to the 1990 U.S. Census data; and we compared loans originated in 2003 to the 2000 U.S. Census data. We used separate census data

because the 2000 census data became effective in January 2003 and changed boundaries and income levels of many existing census tracts, deleted some census tracts, and created new ones.

In 2004, the 2000 census data reflected updates from the Census and the Office of Management and Budget (OMB). These updates reflected new MSA definitions and boundaries. We compared loans that originated in 2004 to the updated 2000 U.S. Census data.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### LOAN-TO-DEPOSIT RATIO

The bank’s loan-to-deposit (LTD) ratio demonstrates a willingness to lend. The level of lending is more than reasonable given the bank’s size, area credit needs, and the competitive banking market. We analyzed the bank’s quarterly LTD ratio from June 2002 through December 2004. During this period, the LTD ranged from a low of 47% to a high of 97%, with an average of 82%. We compared the bank’s average ratio to that of five peer banks of comparable asset size that operate in the same AA. The peer group’s quarterly LTD over the same time period averaged 74%. The bank’s average ratio was higher than the peer group average and exceeded the standard for satisfactory performance.

### LENDING IN THE ASSESSMENT AREA

The bank’s record of lending within the AA meets the standard for satisfactory performance.

Table 2

<b>Granite Community Bank Lending in the Sacramento-Arden-Arcade MSA</b>									
Loan Type	Number of Loans				Dollars of Loans				
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	
Business Loans	12	60%	8	40%	\$4,599,000	65%	\$2,476,900	35%	
<b>Totals</b>	<b>12</b>	<b>60%</b>	<b>8</b>	<b>40%</b>	<b>\$4,599,000</b>	<b>65%</b>	<b>\$2,476,900</b>	<b>35%</b>	

Source: Sample of 20 business loans originated from June 4, 2002 to December 31, 2004

A majority of the bank’s loans originated within its defined AA. For this performance criterion, we randomly sampled 20 business loans originated during the evaluation period. Table 2 indicates the bank originated 60% of the number and 65% of the dollar volume of loans within the defined AA.

## LENDING TO BUSINESSES OF DIFFERENT SIZES

The bank's distribution of loans to businesses of different sizes meets the standard for satisfactory performance. (Businesses with annual revenues of \$1 million dollars or less are deemed to be small businesses.)

Our analysis included a random sample of 30 business loans originated within the bank's AA. As noted above, we selected this loan product for review because it was the bank's primary product line.

The following table displays the bank's lending practices based on our loan sample of 2002 business borrowers.

Table 3

<b>Income Distribution of 2002 Loans to Businesses in the Sacramento-Arden-Arcade MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72%	6%	22%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	85%	15%	0%	100%

*Demographic Data Source: 2002 Business Geodemographic Data.*

Based on our sample, the bank originated a significant number of loans by number and dollar amount to small businesses. The resulting percentage was 80% and 85%, respectively. This exceeds the 2002 Business Geodemographic Data that shows 72% of reporting businesses had gross annual revenues of \$1 million or less.

The following table displays the bank's lending practices based on our sample of 2003 business borrowers.

Table 4

<b>Income Distribution of 2003 Loans to Businesses in the Sacramento-Arden-Arcade MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	5%	30%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	64%	36%	0%	100%

*Demographic Data Source: 2003 Business Geodemographic Data*

Based on our sample, the bank originated a majority of its loans by number and dollar volume to small businesses. The resulting percentage was 80% and 64%, respectively. The 2003 Business Geodemographic Data showed 65% of reporting businesses having gross annual revenues of \$1 million or less. While the number of loans exceeded the area demographics, the dollar volume closely meets the area demographics.

The following table displays the bank’s lending practices based on our sample of 2004 business borrowers.

Table 5

<b>Income Distribution of 2004 Loans to Businesses in the Sacramento-Arden-Arcade MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	6%	28%	100%
% of Bank Loans in AA by #	60%	40%	0%	100%
% of Bank Loans in AA by \$	73%	27%	0%	100%

*Demographic Data Source: 2004 Business Geodemographic Data*

Based on our sample, the bank originated a majority of its loans by number and dollar volume to small businesses. The resulting percentage was 60% and 73%, respectively. The 2004 Business Geodemographic Data showed 66% of reporting businesses having gross annual revenues of \$1 million or less. While the dollar volume exceeded the area demographics, the number of loans is slightly below the area demographics.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The bank's geographic distribution of loans meets the standard for satisfactory performance. The loan distribution reflects adequate dispersion throughout the AA. We used the same sample of business loans used in the analysis of **“Lending to Businesses of Different Sizes.”**

Table 6 details the geographic distribution of the bank’s business loans in the AA.

Table 6

<b>Geographic Distribution of Loans to Businesses in the Sacramento-Arden-Arcade MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
2002 Sample <sup>1</sup>	0%	0%	0%	0%	55%	30%	45%	70%
2003 Sample <sup>2</sup>	0%	0%	5%	10%	54%	70%	41%	20%
2004 Sample <sup>3</sup>	0%	0%	5%	0%	52%	40%	43%	60%

*Demographic Data Source: <sup>1</sup> 2002 Business Geodemographic Data, <sup>2</sup> 2004 Business Geodemographic Data, <sup>3</sup> 2004 Business Geodemographic Data*

Table 6 reflects that in 2002, there were no low- and moderate-income census tracts designated within the bank’s AA. However, in 2003, when the census tract designations changed, the AA reflected three moderate-income census tracts. Based on this change, 5% of small businesses were located in these tracts. In comparison, 10% of the bank’s business borrowers were located in moderate-income census tracts, which exceeded the area demographics.

In 2004, 5% of businesses were located in moderate-income census tracts. In comparison, none of the bank's business borrowers were located in moderate-income census tracts. While this reflects poor penetration, opportunities to lend in this AA are limited, given its competition. GCB faces competition with 33 other banks that are larger and have more branches. GCB has only .23% of the market share. To increase its market presence and attract businesses located in these census tracts, GCB will be opening a branch in Roseville, CA, which is where a majority of the small businesses are located in moderate-income census tracts. This branch is targeted to open in December 2005.

### **Responses to Complaints**

No consumer complaints associated with the bank's performance under the provisions of the CRA have been made during the assessment period.

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

We found no evidence of illegal discrimination or other illegal credit practices. There were no violations of the substantive provisions of the anti-discrimination laws and regulations identified. Based on this review, it was determined that the bank's compliance with fair lending laws is satisfactory.