

Public Disclosure

September 25, 1997

Community Reinvestment Act Performance Evaluation

**Grand National Bank
Charter Number: 14935**

**486 W. Liberty Street
Wauconda, Illinois 60084-2467**

**Office of the Comptroller of the Currency
Chicago Field Office - West
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Arlington Heights, Illinois 60005**

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Grand National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 25, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The satisfactory rating is supported by:

- A reasonable loan-to-deposit ratio;
- Good responsiveness to the credit needs within the assessment area;
- The geographic distribution of loans reflects an adequate penetration throughout the assessment area; and
- The distribution of lending to borrowers of different income levels is reasonable.

Description of Institution

Grand National Bank (Grand) is wholly owned by Grand Premier Financial, Inc. which is located in Wauconda, Illinois. There have been significant changes to the organization since the last CRA performance evaluation of this charter number 14935 in July 1994 as the First National Bank of Crystal Lake.

The First National Bank of Crystal Lake was a subsidiary of the Northern Illinois Financial Corporation (NIFCO). Throughout 1995 and 1996, NIFCO consolidated all of their separate individually chartered banks under Grand National Bank. The former banks included: First National Bank of Niles, American National Bank & Trust of Waukegan, Gurnee National Bank, American National Bank of South Chicago Heights, First National Bank of Crystal Lake, and Wauconda National Bank.

In 1996, NIFCO merged with Premier Financial Services, Inc. to form a multibank holding company named Grand Premier Financial, Inc. Premier Financial Services, Inc. owned the following banks: First Security Bank - Cary Grove; First National Bank of Northbrook; First Bank South - Dixon; and First Bank North - Freeport. It was during the first part of this year that these banks were merged into Grand National Bank.

Through these mergers and consolidations the total assets significantly grew from \$100 million under the First National Bank of Crystal Lake to \$1.6 billion as Grand National Bank. There are no impediments which would effect Grand's ability to help meet the credit needs of the community. As of June 30, 1997, total assets are now \$1,656,803 and net loans represent 62% of total assets. The loan portfolio is comprised as follows:

Table 1		
Loan Portfolio as of June 30, 1997		
Loan Type	Dollar Volume (000's)	Percentage of Loan Portfolio
Real Estate Loans	\$689,380	67%
Commercial and Industrial Loans	\$203,559	20%
Instalment Loans	\$115,012	11%
Agricultural Loans	\$15,965	2%
Other	\$5,315	1%
Total	\$1,029,231	100%

Source: June 30, 1997 Call Report Data

As noted in Table 1, real estate loans represent the largest segment of the loan portfolio. As such, we focused our review upon originations of 1-4 family residences both new and refinanced, and home improvement loans. Additionally, Grand has developed an extensive network with car dealers throughout the greater Chicagoland area and provide indirect financing for new and used vehicles.

Description of Grand's Assessment Area

Grand's assessment area includes DeKalb, Lake, McHenry, Will and part of Cook counties in the Chicago MSA (1600); Boone, Ogle, and Winnebago counties within the Rockford MSA (6880); and Carroll, Jo Daviess, Lee, Stephenson, and Whiteside counties which are not within an MSA. The assessment area contains 16 low-income tracts (2%); 65 moderate-income tracts (10%); 338 middle-income tracts (51%); 240 upper-income tracts (36%); and 4 tracts which were NA (1%) for a total of 663 tracts. The family breakdown by income levels is: 13% low-income families; 16% moderate-income families; 25% middle-income families; and 46% upper-income families.

The economic conditions throughout the assessment area are good and stable. Certain areas are actually experiencing a good amount of growth. For example, the City of Mokena in Will County and Tinley Park in Cook County are experiencing growth in new housing. Also, McHenry County is the fastest growing county in Illinois over the last five years. In the western counties of the assessment area, the bank's locations are in industrial/manufacturing communities surrounded by stable farming areas.

Grand has 28 full-service banking offices located throughout this market and is supplemented with 31 automatic teller machines (ATMs). Grand does not have any offices in the City of Chicago or in geographies immediately adjacent to the City of Chicago. As such, the City of Chicago, DuPage, Kendall and Kane counties are justifiably excluded from its assessment area.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Analysis

The average loan-to-deposit ratio since the last exam of July 1, 1994 is 68%. However, as noted in the “Description of the Institution” significant merger and consolidation activity has taken place since our last evaluation.

As of June 30, 1997, the loan-to-deposit ratio of 74% is reasonable. This conclusion is based upon comparing Grand with several different peer groups to best compare the new consolidated institution’s asset size and market. One peer group with a loan-to-deposit ratio of 72% represents the majority of institutions which management monitors for competitive rates in all of their markets and includes institutions of various sizes. The second peer group we used for comparison reflects three local regional banks which compete in similar communities and reflects a loan-to-deposit ratio of 81%. While Grand’s ratio is slightly below the three regional banks, the bank has only been over \$1 billion in total assets since it merger with the Premier banking group last year.

Comparison of Credit Extended Inside and Outside of the Assessment Area(s)

Overall, Grand’s lending level reflects a good responsiveness to the credit needs within the assessment area. This conclusion is based on the number and dollar amount of loans originated within the assessment area. Table 2 reflects the number and dollar volume of Grand’s loans reported during 1996 and year-to-date 1997 on their Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR). These categories of loans are most indicative of the bank’s lending activity. Table 2 demonstrates that a significant majority of both the number and dollar volume of Grand’s mortgage loans are made inside the assessment area.

Table 2				
Ratio of Purchased and Originated Loans				
Inside the Assessment Area				
	# of Loans	% of Total	\$ Amount Dollars in \$(000's)	% of Total
Home Purchase	447	89%	\$39,710	92%
Home Improvement	480	96%	\$15,822	94%
Refinancing	510	95%	\$45,454	92%
Multi-family	11	79%	\$1,716	78%

Table 2				
Ratio of Purchased and Originated Loans Inside the Assessment Area				
Total	1,448	93%	\$102,702	92%

Source: 1996 and 1997 Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR)

Additionally, the number and dollar volume of small business loans originated during 1997 reflects that 81% of the number and 65% of the dollar amount of the commercial loans are within the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans reflects an adequate penetration in Grand's assessment area. This is based on the location of the loan originations on Grand's Home Mortgage loans, small business loans, and indirect auto loans purchased by the bank. While the distribution levels of the mortgage and small business loans is weak, this is enhanced by the distribution of indirect auto loans.

Home Mortgage Loans:

The geographic distribution of mortgage loans during 1996 and through June 1997 noted in Table 3 reflects a poor dispersion within the assessment area as compared to the composition of the income levels of the census tracts within the assessment area.

Table 3				
Geographic Distribution of HMDA Loans				
	# of Loans	% of Total	\$ Amount	% of Total
Low-Income Tract	1	0%	\$18	0%
Moderate-Income Tract	65	5%	\$2,670	3%
Middle-Income Tract	824	57%	\$52,235	51%
Upper-Income Tract	557	38%	\$47,686	46%
NA	1	0%	\$93	0%
Total	1,448	100%	\$102,702	100%

Source: 1996 and 1997 HMDA-LAR

Indirect Automobile Lending:

Table 4 shows an excellent penetration both for the number and dollar volume of loans originated throughout the low- and moderate-income tracts within the assessment area and compares favorably to the composition of the assessment area.

Table 4 Geographic Distribution of Indirect Auto Loans				
	# of Loans	% of Total	\$ Amount	% of Total
Low-Income Tract	27	2%	\$349	2%
Moderate-Income Tract	302	21%	\$4,466	22%
Middle-Income Tract	743	52%	\$10,215	51%
Upper-Income Tract	356	25%	\$5,064	25%
NA	0	0%	\$0	0%
Total	1,428	100%	\$20,094	100%

Source: Grand's internal reports for loans purchased during 1997

Small Business Loans:

Grand is originating a poor number of small business loans in low- and moderate-income areas. Table 5 reflects that 6% of the number and dollar volume were originated in low- and moderate-income tracts in comparison to the assessment area having 12% of the census tracts having these characteristics.

Table 5 Geographic Distribution of Small Business Loans				
	# of Loans	% of Total	\$ Amount	% of Total
Low-Income Tract	3	1%	\$1,680	2%
Moderate-Income Tract	27	5%	\$3,525	4%
Middle-Income Tract	329	61%	\$53,855	58%
Upper-Income Tract	184	34%	\$33,200	36%
NA	0	0%	\$0	0%
Total	543	100%	\$92,260	0%

Source: Grand's internal reports for small business loans originated during 1997

Borrower Characteristics

The distribution of Grand's home mortgage, indirect auto, and small business loans to borrowers of different income levels is reasonable.

Home Mortgage Loans:

The level of home mortgage loans in Grand's assessment area to persons with low- or moderate-incomes is satisfactory. We compared Grand's level of lending to borrowers of different income levels to a summary of all mortgage lenders within Grand's assessment area and to the number of households of these income levels and found similar comparisons.

Table 6				
Borrower Distribution of Home Mortgage Loans				
Applicant Income Level	# of Loans	% of Total	\$ Amount	% of Total
Low-Income	100	7%	\$3,173	3%
Moderate-Income	216	15%	\$9,221	9%
Middle-Income	364	25%	\$20,946	20%
Upper-Income	741	51%	\$66,409	65%
NA	27	2%	\$2,953	3%
Total	1,448	100%	\$102,702	0%

Source: 1996 and 1997 HMDA-LAR

Small Business Loans:

Table 7 summarizes small business lending by varying loan amounts. By proxy we determined that the majority of small loans were loans to business having revenues less than \$1 million. Based on our sampling of loans and collecting the revenue size of the respective business the distribution of business loans to borrowers of different income sizes is reasonable.

Table 7				
Small Business Loans by Loan Amount Origination				
Amount	Number	% of Total	Amount	% of Total
Less than \$100,000	356	66%	\$11,390	12%
Between \$100,000 and \$250,000	104	19%	\$15,990	17%
Greater than \$250,000	83	15%	\$64,880	70%
Total	543	100%	\$92,260	100%

Source: Grand's internal reports for small business loans originated during 1997

Fair Lending Review

We did not detect any substantive violations of the substantive provisions of the antidiscrimination laws and regulations. Grand's policies, procedures, training programs, and internal assessments have been effective in promoting the spirit and intent of fair lending.

Metropolitan Statistical Area(s)

Conclusion with Respect to Performance Tests in Chicago, IL (MSA #1600)

Grand’s performance in meeting the credit needs of its assessment area within the Chicago MSA is consistent with the overall rating assigned. The Chicago MSA represents 80% of the census tracts of the total assessment area. These tracts from the Chicago MSA make the biggest impact upon the lending levels to borrowers of different income levels and the largest percentages of lending in the low- and moderate-income census tracts.

Grand’s assessment within the Chicago MSA includes: Cook, DeKalb, Lake, McHenry, and Will counties. However, only a 23% of Cook county is included and located in the northern and southern portions of the county and does not include the City of Chicago. The total population in this portion of the Chicago MSA is 2.6 million. There are 920 thousand households and 694 thousand families. The race or ethnic origin of the population in the assessment area is 83% white and 17% minority (9% Black, 5% Hispanic, and 3% Asian/Pacific Islander). The weighted average of Median Household Income is \$46,168 and the weighted average of median family income is \$52,788.

Portion of Chicago MSA ASSESSMENT AREA POPULATION STATISTICS				
INCOME LEVEL	TRACT or BNA		HOUSEHOLDS	
	Number	Percent	Number	Percent
LOW	10	2%	11,543	1%
MODERATE	47	9%	70,272	8%
MIDDLE	251	47%	457,572	50%
UPPER	217	41%	381,397	41%
NA	4	1%	50	0%
TOTAL	549	100%	920,834	100%

Portion of Chicago MSA ASSESSMENT AREA HOUSING STATISTICS	
Owner Occupied Units: 71%	Rental Occupied Units: 24%
1-4 Family Unit: 77%	Multifamily Unit: 19%
Median Housing Value: \$134,817	Median Monthly Gross Rent: \$579

The bank has 20 branches, 2 drive up facilities and 27 deposit taking ATMs in this area.

Conclusion with Respect to Performance Tests in Rockford, IL (MSA #6880)

Grand’s performance in meeting the credit needs of its assessment area with the Chicago MSA is consistent with the overall rating assigned.

The Rockford MSA includes Boone, Ogle, and Winnebago counties. The total population in the Rockford MSA is 330 thousand. There are 124 thousand households and 91 thousand families. The race or ethnic origin of the population in the assessment area is 88% white and 12% minority (7% Black, 3% Hispanic, and 1% Asian/Pacific Islander). The weighted average of Median Household Income is \$32,332 and the weighted average of median family income is \$37,535.

Rockford MSA ASSESSMENT AREA POPULATION STATISTICS				
INCOME LEVEL	TRACT or BNA		HOUSEHOLDS	
	Number	Percent	Number	Percent
LOW	6	7%	6,041	5%
MODERATE	17	20%	21,360	17%
MIDDLE	46	55%	75,359	60%
UPPER	14	17%	22,122	18%
NA	0	0%	0	0%
TOTAL	83	100%	124,882	100%

Rockford MSA ASSESSMENT AREA HOUSING STATISTICS	
Owner Occupied Units: 65%	Rental Occupied Units: 29%
1-4 Family Unit: 84%	Multifamily Unit: 11%
Median Housing Value: \$59,657	Median Monthly Gross Rent: \$372

The bank has only 2 branches. There are no sole drive ups or ATMs in this area.

Conclusion with Respect to Performance Tests in Non-MSA's (MSA #9999)

Grand's performance in meeting the credit needs of its assessment area with the Non-MSA's is consistent with the overall rating assigned.

The Non MSA areas are located in the western areas of Illinois and include Carroll, Jo Daviess, Lee, Stephenson, and Whiteside counties. The total population within these consolidated non-MSA counties is 181 thousand. There are 69 thousand households and 50 thousand families. The race or ethnic origin of the population in the assessment area is 94% white and 6% minority (3% Black, and 3% Hispanic). The weighted average of Median Household Income is \$27,579 and the weighted average of median family income is \$32,725.

Consolidated Non-MSA Areas ASSESSMENT AREA POPULATION STATISTICS				
INCOME LEVEL	TRACT or BNA		HOUSEHOLDS	
	Number	Percent	Number	Percent
LOW	0	0%	0	0%
MODERATE	1	2%	825	1%
MIDDLE	41	80%	56,611	82%
UPPER	9	18%	11,849	17%
NA	0	0%	0	0%
TOTAL	51	100%	69,285	100%

ASSESSMENT AREA HOUSING STATISTICS	
Owner Occupied Units: 65%	Rental Occupied Units: 25%
1-4 Family Unit: 87%	Multifamily Unit: 6%
Median Housing Value: \$46,897	Median Monthly Gross Rent: \$319

The bank has 6 branches, 3 sole drive up facilities and 4 deposit taking ATMs in this area.