



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 13, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Ottawa
Charter No. 1154
701 LaSalle Street
Ottawa, IL. 61350**

**Office of the Comptroller of the Currency
111 West Washington Street, Suite 300
Peoria, IL. 61611**

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 Community Reinvestment Act (CRA) performance of **First National Bank of Ottawa** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 13, 1997**. This evaluation is based on information from the last CRA examination dated December 5, 1994 to the current examination dated June 13, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”.

First National Bank of Ottawa's origination of loans within its assessment area is satisfactory. The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable. Loans originated to small farms and small businesses within their assessment area is also satisfactory.

DESCRIPTION OF INSTITUTION

First National Bank of Ottawa (FNBO) is a \$230 million bank located in Ottawa, Illinois. Ottawa is 90 miles southwest of Chicago, Illinois and is located on Interstate 80. Ottawa's population is 17,500. The bank is not a member of a holding company or other affiliation. FNBO's main office is located in downtown Ottawa. The main office includes an automated teller machine (ATM). The bank has three other branches located in Ottawa. The three branches are FNB Northfield, FNB Plaza and FNB South. The FNB Northfield branch is located one block west of the main bank and serves primarily as a drive-up facility for the main office. The FNB Northfield branch and FNB South branch are full-service branches that are equipped with drive-up facilities and ATMs. The bank also services customers with an ATM located at a local Kroger grocery store. In addition, the bank has two cash only transaction ATM's located at an Amoco and Shell gas station near the Illinois Route 23 and Interstate 80 interchange.

FNBO is community oriented and is influenced by small to mid-size commercial businesses as well as agricultural related businesses. FNBO offers traditional banking services and lending products. The bank's loan portfolio mix as of March 31, 1997 is as follows:

- residential real estate 41%
- agricultural 7%
- commercial 23%
- consumer loans 29%

Forty-seven percent of the bank's total assets are represented by net loans. There are no financial deterrents, legal constraints, or other factors to hinder the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA (AA)

The bank's assessment area consists of eight Block Numbering Areas (BNAs) located within LaSalle County. The BNAs are: 9622, 9623, 9626, 9627, 9628, 9635, 9636, and 9640. Four of the BNAs are located in middle-income areas (9622, 9626, 9627, & 9628) and the other four are located in upper income areas. This assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 1997 non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$37,600. According to the 1990 census, the total population of the bank's assessment area is 31,286. Within the assessment area, 15% of the families are low-income, 14% are moderate-income, 23% are middle-income, and 48% are upper-income. There are 12,477 total housing units in the assessment area of which 66% are owner-occupied, 27% are rental-occupied, and 5% are vacant units.

The economy of the AA is primarily based on small to mid-size manufacturing, with agricultural related industries also providing some influence. The current economy is good. Unemployment in the bank's assessment area is low at 3%. Major employers include GE Plastics, Libbey Owens Ford Co., Community Hospital of Ottawa, US Silica, Mitsuboshi Belting Limited, Pleasant View Nursing Home, Sheridan Correctional School and the Department of Transportation. The market for financial services is very competitive, with competition provided by banks, thrifts, credit unions and finance companies within the AA that compete for loans and deposits.

We did not make any community contacts during this evaluation. There have been recent community contacts made in LaSalle County by various regulating agencies in the past year. These contacts indicated that area financial institutions are responsive in meeting the needs of the community. One of the contacts stated that local financial institutions are supportive in offering financing to first-time home owners by offering special rates and lower fees. The contacts did not identify any significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is reasonable based on the community's credit needs and the bank's competition level. FNBO's average loan-to-deposit ratio for the ten quarters ending March 31, 1997 is 50%. This is moderately lower than the 58.5% reported by similarly situated banks located in LaSalle County, as identified through a custom peer report. During these 10 quarters, FNBO's loan-to-deposit ratio has increased from 41.5% as of 12/31/94 to 57% as of 3/31/97. The 3/31/97 loan-to-deposit ratio is only slightly lower compared to their peer banks' average of 60%. Real estate and individual loans at FNBO have both increased significantly, accounting for the increase in loan volume.

LENDING IN THE ASSESSMENT AREA

The majority of the bank's loans are originated within the bank's assessment area as detailed in the following chart. Our analysis performed was based on FNBO reports, including all residential real estate, personal/installment, small farm, and small business loans originated in 1995, 1996, and the first quarter of 1997.

FIRST NATIONAL BANK OF OTTAWA RECORD OF LENDING IN THEIR ASSESSMENT AREA

1995, 1996 AND THE FIRST QUARTER OF 1997	WITHIN AA	PERCENT IN AA	OUTSIDE AA	PERCENT OUTSIDE AA
RESIDENTIAL REAL ESTATE	\$19,429,150	72%	\$7,711,102	28%
	332	73%	121	27%
PERSONAL/ INSTALLMENT	\$17,307,537	41%	\$25,020,574	59%
	1,673	45%	2,088	55%
SMALL BUSINESS	\$11,878,972	82%	\$2,577,859	18%
	242	83%	48	17%
SMALL FARM	\$7,398,347	62%	\$4,563,661	38%
	276	72%	110	28%
TOTAL	\$56,014,006	58%	\$39,873,196	42%
	2,523	52%	2,367	48%

- Small farm and small business loans are those with annual revenues less than \$1 million.
- Personal/installment loans include the bank's indirect loans which represents greater than 80% of the bank's installment loan portfolio.

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

The distribution of lending reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals. It approximates the income distribution of the population of the assessment area. Our analysis of residential real estate lending was based on a sample of 166 loans. This sample represents 50% of all residential real estate loans originated in 1995, 1996 and the first quarter of 1997 within the assessment area. The source for our analysis was bank loan trials. Below is the distribution of residential real estate loans originated among borrowers of different income levels:

DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS AMONG BORROWERS OF DIFFERENT INCOME LEVELS

1995, 1996 AND FIRST QUARTER OF 1997	# OF LOANS	PERCENT	\$ OF LOANS	PERCENT
LOW-INCOME	8	5%	\$349,197	4%
MODERATE-INCOME	31	19%	\$1,021,655	11%
MIDDLE-INCOME	46	28%	\$2,301,151	24%
HIGH-INCOME	81	48%	\$5,874,305	61%
TOTAL	166	100%	\$9,546,308	100%

A significant number of FNBO's commercial and agriculture loan portfolio is originated to small businesses and farms. Since January 1, 1995, 87% of the number of small business loan originations and 90% of the number of small agricultural loan originations were made for \$100,000 or less.

GEOGRAPHIC DISTRIBUTION OF LOANS

We did not perform an analysis of the geographic distribution of loans since all BNAs making up the bank's assessment area are designated as middle or upper-income areas.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

We did not identify any violations of substantive provisions of the antidiscrimination laws and regulations during our examination. In addition, there were no valid complaints or criticisms concerning the bank's record of lending to individuals in their assessment area.

OTHER BANK ACTIVITIES

The bank has been active in the Upper Illinois Valley Community Development Corporation (CDC). Since the formation of the CDC in December of 1993, \$530,000 in loans have been made. A portion of these proceeds have been approved for business enterprises in the bank's AA. In addition, the bank donated money in 1997 to the Habitat for Humanity of LaSalle County to purchase a lot in Ottawa. This organization is involved in low-income housing.

