



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 28, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Ottawa
Charter Number 1154**

**701-705 LaSalle Street
Ottawa, IL 61350**

**Comptroller of the Currency
ADC-North Central Illinois & East Iowa
111 West Washington Street Suite 300
East Peoria, IL 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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	1
DESCRIPTION OF INSTITUTION.....	1
DESCRIPTION OF OTTAWA ASSESSMENT AREA	2
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	3

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

- The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- The number and dollar volume of loans originated to small farms and small business within the Assessment Area satisfactorily demonstrate the bank's commitment to the community.

Description of Institution

- First National Bank of Ottawa (FNBO) is located in Ottawa, Illinois. Ottawa is located off Interstate 80, between Chicago and the Quad Cities of Davenport, Bettendorf, Moline and Rock Island. The population is 17,528. Ottawa is the county seat for LaSalle County.
- The bank's asset size is \$231 million.
- The bank's main office, drive-up plaza, Northfield and South branches and three deposit-taking ATMs are located within Ottawa. In 2002, the bank completed an extensive renovation of the main bank in historic downtown Ottawa.
- FNBO is a subsidiary of First Ottawa Bancshares, Inc., which has total assets of \$233 million. In 2001, the holding company organized another subsidiary, First Ottawa Financial Corporation, to sell insurance and investment products.
- No merger or acquisition activity affected the scope of the bank's operations during the evaluation period. However, the bank has permission from the OCC to establish a branch in Morris, Illinois, some 40 miles east of Ottawa in Grundy County. Management expects to open the new facility in 2003.
- The loan portfolio represents 47 percent of total assets at \$109 million. The distribution of loans is as follows:

Residential Real Estate	34%
Commercial Credit	23%
Consumer Credit	19%
Commercial Real Estate	16%
Agricultural Production	4%
Farmland	4%
	100%

Source: Bank MIS

The bank also originates residential real estate loans which are sold on the secondary market and do not appear on the bank's balance sheet.

- FNBO offers a full range of services, including asset management; farm management; commercial, agricultural and consumer loans, and deposit products, including all traditional products of a full-service bank.
- There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its Assessment Area (AA).
- The last CRA examination was as of June 13, 1997, and the rating was "Satisfactory".

In order to obtain information as to borrower income, we reviewed 50 residential real estate loans which we deemed to be representative of the bank's business strategy.

Description of Ottawa Assessment Area

The bank's AA includes eight Block Numbering Areas (BNAs) in LaSalle County. BNAs 9622, 9626, 9627 and 9628 are in middle-income areas. BNAs 9623, 9635, 9636 and 9640 are designated as upper-income areas. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2001 non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$44,900. According to the 1990 census, the population of the bank's AA is 31,286. Within the AA, 15 percent of the families are low-income; 14 percent are moderate-income; 23 percent are middle-income, and 48 percent are upper income. There are 12,477 housing units in the AA, of which 66 percent are owner-occupied, 27 percent are rentals and 5 percent are vacant.

The local economy is steady, and is based on small- to mid-size manufacturing. Major employers include GE Plastics, Libbey Owens Ford Co., Community Hospital of Ottawa, US Silica Company, Mitsuboshi Belting Limited, Pleasant View Lutheran Home, Sheridan Correctional Center, and the Department of Transportation. In the last few years, seven new industries have moved to the community and survived.

The competition for financial services is keen, with a number of financial institutions located within the AA.

We spoke with a community leader regarding the bank's performance, and he had positive comments. He indicated that among other contributions to the community, FNBO is part of a five-bank consortium that will provide low-interest funds to new businesses which provide new jobs for the area. The contact reported no unmet credit needs in the community.

Conclusions about Performance Criteria

The bank's CRA performance is satisfactory, as supported by the following:

Loan-to-Deposit Ratio

- The loan-to-deposit ratio is reasonable, and meets the standard for satisfactory performance.
- The average loan-to-deposit ratio for the 10 quarters ending September 30, 2002, is 67%, compared with 50% at the last examination. Other LaSalle County banks' loan-to-deposit ratios range from 53 percent to 77 percent.
- FNBO is the second largest bank in the county as measured by total assets. The banks in the county range from \$19 million to \$428 million in assets.

Lending in Assessment Area

- A majority of the bank's loans are in the AA. Performance under this criterion meets the standard for satisfactory performance. The bank has originated a significant number of loans in Morris, Illinois, an area that will be included in the bank's expanded AA after the opening of the new branch. The bank will also be subject to the Home Mortgage Disclosure Act (HMDA), as Morris is located in an MSA.

Table 1 - Lending in Ottawa Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Commercial	454	87%	69	13%	523	22,676,961	63%	13,055,269	37%	35,732,230
Agricultural	177	93%	14	7%	191	8,181,966	87%	1,191,382	13%	9,373,348
Residential R/E	610	83%	128	17%	738	39,693,888	23%	12,763,020	67%	52,456,908
Consumer	1,629	60%	1,102	40%	2,731	19,305,739	55%	15,924,140	45%	35,229,879
Totals	2,870	69%	1,313	31%	4,183	89,858,554	68%	42,933,811	32%	132,792,365

Source: Bank MIS; includes residential real estate loans sold on the secondary market.

Lending to Businesses of Different Sizes and to Borrowers of Different Incomes

- The bank's performance under this criterion meets the standard for satisfactory performance in both business loans and residential real estate loans. The bank does not collect information on business or farm revenue, so we used loan size as a proxy for business or farm size.

Borrower Distribution of Loans to Farms by Loan Size in Ottawa AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	169	88%	4,239,436	45%
\$100,001 - \$250,000	21	11%	3,429,650	37%
\$250,001 - \$500,000	1	<1%	374,522	4%
Over \$500,000	2	1%	1,329,576	14%

Source: Bank MIS

Borrower Distribution of Loans to Businesses by Loan Size in Ottawa AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	446	85%	9,066,457	25%
\$100,001 - \$250,000	52	10%	8,231,386	23%
\$250,001 - \$500,000	16	3%	5,432,728	15%
Over \$500,000	9	2%	13,001,659	37%

Source: Bank MIS

Borrower Distribution of Residential Real Estate Loans in Ottawa AA				
	Number of Loans	Percent of Loans	Dollar Volume	Percent of Volume
Low-Income	3	6%	127,690	2%
Moderate Inc.	12	24%	782,365	12%
Middle-Income	22	44%	2,862,750	46%
Low-Income	13	26%	2,535,600	40%
Total	50	100%	6,308,405	100%

Source: Bank MIS

Geographic Distribution of Loans

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

Responses to Complaints

The bank has not received any complaints about its performance in helping to meet AA credit needs.

Fair Lending Review

FNBO has not received a recent comprehensive fair lending examination. An analysis of the most recent public comments was performed according to the OCC's risk based fair lending approach. Based on analysis of available information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

