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Comptroller of the Currency  
Administrator of National Banks

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Cleveland Office  
Summit Office Park  
Three Summit Park Drive, Suite 530  
Independence, Ohio 44131

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

October 28, 1997

First National Bank of Ottawa  
Charter No. 7006  
405 East Main Street  
Ottawa, Ohio 45875

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 its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Ottawa prepared by the Comptroller of the Currency, the institution's supervisory agency, as of June 30, 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.

The First National Bank of Ottawa has a satisfactory record of meeting the credit needs of its assessment area. The level of lending within the assessment area (AA) is good. Loans are made to borrowers of differing income levels throughout the AA. Products offered are responsive to the credit needs of the local community. Services are marketed through direct contact with customers, newsprint, and officer and employee participation in community organizations.

The following table indicates the performance level of The First National Bank of Ottawa with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Ottawa</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No Complaints were received since the prior examination.		

**DESCRIPTION OF INSTITUTION**

The First National Bank of Ottawa (FNBO) is a \$49 million institution. The bank's only office is located in Ottawa, Ohio in Putnam county. This office offers automatic teller machine

(ATM) and full service drive-up services. The bank does not operate any other ATM's or drive-up facilities.

FNBO's primary business focus is consumer lending, which historically represents 70% of the loan portfolio. Traditional banking products are offered, as well as some tailored services. The bank offers conventional residential mortgage loans, small business and small farm loans, and secured and unsecured consumer loans. Repayment schedules are frequently tailored to meet the seasonal fluctuations of the bank's largely agricultural community. There are no financial or legal impediments which restrict the bank's ability to service its community.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

FNBO's assessment area includes seven block numbering areas (BNA). All of the BNA's are located in Putnam county, approximately 21 miles north of Lima, Ohio.

The following tables show demographic information on FNBO's assessment area. The information is based on 1990 census data.

<b>Population/Households/Families/Family Income</b>	
Population	33,819
Households	11,136
Families	8,994
Median Family Income	\$38,800

Recap of BNA Status	
Tract type	
Low-income	0
Moderate-income	0
Middle-income	3
Upper-income	4

Percentage of Families by Income Status	
Income Status	
Low-income	10.53%
Moderate-income	13%
Middle-income	26.06%
Upper-income	50.41%

Housing Data	
Total housing units	11,600
Owner occupied	9,346
Median housing value	\$57,644

The bank's assessment area is a mix of large agricultural areas and several small municipalities. FNBO's banking office is located in Ottawa, the county seat. With a population of 4,119 residents, it is the most densely populated area in the county. Ottawa and most of the villages and townships in close proximity, are fairly wealthy rural communities. The local economy is stable, and is dominated by farming and manufacturing.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

FNBO's overall performance is Satisfactory.

We reviewed the bank's performance since our last CRA Public Disclosure dated May 31, 1994.

FNBO's loan to deposit ratio averages 79% over the last eight quarters, and has been fairly consistent. Some seasonal decline occurs during the first quarter of each year. This decline coincides with the seasonal fluctuations that naturally occur in the farming industry.

Loan to Deposit Ratios								
Qtr	9/95	12/95	3/96	6/96	9/96	12/96	3/97	6/97
%	81.51	75.12	73.62	81.95	82.12	81.81	77.74	80.51

The bank's loan to deposit ratio significantly exceeds the average performance of other similar sized institutions operating in the same area. We found two banks operating in FNBO's assessment area with assets of \$40 million and \$73 million. These banks had an average loan to deposit ratio of 61%.

A majority of FNBO's lending is within its assessment area. This meets expected performance levels for small institutions. Loan reports, provided by the bank showed that 89% of the number and 72% of the dollar of all loans were originated within the assessment area as of June 30, 1997. Additional information provided by the bank showed that the majority of the number and dollar amount of residential, and commercial/agricultural loans were made within the bank's assessment area during 1995 and 1996.

The following tables detail FNBO's lending inside its assessment area (AA).

<b>Real Estate, Agricultural, Consumer and Commercial Loans</b>						
Bank provided as of June 30, 1997	# of loans in AA	Total # of loans	% in AA	\$ of loans in AA (000's)	Total \$ of loans (000's)	% in AA
All loan originations	327	366	89%	\$7,181	\$9,983	72%

<b>Loan Originations by Loan Type</b>						
	# of loans in AA	Total # of loans	% in AA	\$ of loans in AA (000's)	Total of loans (000's)	% in AA
1995 Residential Mortgages**	72	78	92%	*	*	*
1996 Residential Mortgages	77	87	89%	\$4,359	\$5,363	81%
As of 6-30-97	31	31	100%	\$2,333	\$2,333	100%
1996 Commercial and Agricultural	312	349	89%	\$7,299	\$13,520	54%
Y-T-D 1997 Commercial and Agricultural	99	113	88%	\$3,504	\$5,411	65%

\* - Bank did not track residential mortgages by dollar amount during 1995. In addition, origination data for small business and small farm loans was not available.

\*\* -Residential mortgages include purchase money, home improvement, and refinance loans

FNBO's willingness to lend to borrowers and businesses of different income levels in its assessment area meets expected performance levels for small institutions. We analyzed a random sample of 62 residential mortgages originated by FNBO within its

AA during the review period. This represents 34% of all residential mortgage loans made by the bank during the review period. We focused on the income level of borrowers in the AA. The following tables reflect the income category of mortgage borrowers by number and dollar amount.

<b>Sample of Residential Mortgage Originations by Applicant Income</b>					
	% of Families in income group	# of loans in AA	% of loans in AA	\$ of loans in AA (000)	% of \$ in AA
Low-income	10.53%	5	8%	\$188	5%
Moderate-income	13%	8	13%	\$225	6%
Middle-income	26.06%	23	37%	\$1,266	32%
Upper-income	50.41%	26	42%	\$2,267	57%
TOTAL	100%	62	100%	\$3,946	100%

Our analysis of residential mortgages showed that the bank is making loans to individuals of differing income levels. The majority of residential mortgage activity centers on middle and upper-income individuals. Overall, the number of loans to low- and moderate-income individuals is consistent with the level of families in these categories in the assessment area. The level of dollars extended to low- and moderate-income individuals is lower than extensions to middle- and upper-income individuals. Middle- and upper-income individuals borrowed larger amounts.

We found that the majority of commercial and agricultural loans were made to businesses and farms with revenues of less than \$1 million. FNBO's asset size precludes lending to very large businesses. Please refer to the table entitled "Loan Originations by Loan Type" on page seven for the number and dollar amount of commercial loans originated in 1996 through June 30, 1997.

FNBO's geographic loan distribution meets expected performance levels for small institutions. We used the bank's internally generated residential mortgage reports to determine the level of lending within each income category of BNA in the AA during the review period.

The following tables show FNBO's distribution of residential mortgage loans:

<b>1995 Residential Mortgage Originations by Block Numbering Area</b>		
	# of loans	\$ of loans (000's)
Middle-income	22	*
Upper-income	50	*
TOTAL	72	*

\* - During 1995, FNBO did not tract residential mortgage originations by dollar amount.

<b>1996 Residential Mortgage Originations by Block Numbering Area</b>		
	# of loans	\$ of loans (000's)
Middle-income	27	\$1,427
Upper-income	48	\$2,783
TOTAL	75	\$4,210

<b>Residential Mortgage Originations as of June 30, 1997 by Block Numbering Area</b>		
	# of loans	\$ of loans (000's)
Middle-income	11	\$ 673
Upper-income	21	\$1,540
TOTAL	32	\$2,213

The distribution of residential mortgage loans by block numbering area is acceptable. The loan distribution is similar to the overall BNA characteristics of the assessment area. The majority of the bank's assessment area BNAs are upper-income.

In reviewing bank provided reports, we found that loans were made throughout the assessment area. These reports show that some type of loan (real estate, agricultural, consumer or commercial) was made in each of the bank's BNA's between June 30, 1995 and June 30, 1997. Loans are concentrated in communities in closest proximity to Ottawa, where the bank's office is located. The fewest number of loans were extended in the Ottoville/Fort Jennings area, an upper-income BNA. This is mitigated by the fact that the area is not in close proximity to the bank, and by the existence of several financial institutions in Ft. Jennings and Ottoville.

FNBO has not opened or closed any locations since our last evaluation.

We found no violations of the substantive provisions of the antidiscrimination laws and regulations.