



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 23, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Chillicothe
Charter Number 5584

900 North Fourth Street
Chillicothe, IL 61523-1708

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE
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East Peoria, IL 61611-2532

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 CRA RATING

The First National Bank Of Chillicothe (FNB) is rated satisfactory.

The major factors that support FNB's rating include:

- FNB's distribution of loans to individuals of different income levels is satisfactory.
- A majority of the loans originated by FNB are to customers from within its assessment area (AA).
- FNB's quarterly average loan-to-deposit ratio of sixty-seven percent over the evaluation period is reasonable, given the bank's size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities.

- The evaluation period covers loans originated or purchased from September 16, 2002 through May 31, 2008.
- FNB has one assessment area, generating a majority of the bank's loans and deposits. The lending test is based on FNB's primary loan products.
- Conclusions regarding the bank's lending performance are based on consumer and residential real estate loans originated or purchased from January 1, 2006 through May 31, 2008, utilizing 2000 census data.
- The bank is located in the Peoria Metropolitan Statistical Area (MSA) and is subject to the requirements of the Home Mortgage Disclosure Act (HMDA). We reviewed residential real estate loans reported under the HMDA for the years 2006, 2007 and year-to-date 2008. We conducted Data Integrity reviews of the HMDA data by comparing information from the bank's loan application registers and actual loan files. We found the HMDA data for 2007 and 2008 to be accurate and reliable for use in this examination. We found the HMDA data for 2006 to be outside of the error tolerance. Thus, a sample of 22 loans from the 2006 HMDA-LAR was used in the testing of residential related loans.

- FNB is not required to maintain income information on consumer loans outside of the individual credit files. Thus we reviewed a sample of 40 consumer loans originated during the evaluation period in assessing the range of loan distribution to households of different income levels.

DESCRIPTION OF INSTITUTION

FNB is an \$85 million financial institution located along Illinois Route 29 in Peoria County in Central Illinois. FNB has one location at 900 North Fourth Street in Chillicothe, Illinois, approximately 20 miles north of Peoria, Illinois. The bank has one Automated Teller Machine (ATM) that accepts deposits, which is located onsite.

Customers may also access their accounts through the Internet. Internet banking services include transfers between FNB accounts, review of account balances or transactions, access loan account information, and bill-paying capability for the internet banking product. The bank also offers debit cards providing customers with additional access to their accounts at point of sale or ATM location.

FNB is a wholly-owned subsidiary of First Chillicothe Corporation, a single bank holding company located in Chillicothe, Illinois. As of March 31, 2008, the holding company had total assets of \$85 million. The holding company does not own any additional subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community.

Since the previous CRA evaluation, FNB has not opened or closed any branch offices or ATM locations. FNB's business strategy is to continue providing financial products and services through traditional methods and with new technologies, while remaining committed to the customer with prompt responsive service and locally based decision-making.

FNB has two primary lending products: consumer and residential real estate loans. Consumer and residential real estate lending account for 71 percent of the amount of all loan originations during the evaluation period and make up 72 percent of the outstanding loan balances as of March 31, 2008. Commercial and agriculture lending are not primary loan products, only accounting for 19 percent and 10 percent of the number of loan originations, respectively. Commercial and agriculture loans were not included in the sampling or used for the analysis of this evaluation as of March 31, 2008.

As of March 31, 2008, the bank reported \$44 million in outstanding loans and had a net loans and leases to total assets ratio of 70 percent. The loan portfolio consists of the following:

Table 1 – Loan Portfolio Summary by Loan Type March 31, 2008		
Loan Category	\$(000)	%
Residential Loans	\$ 18,921	43%
Consumer Loans	\$ 12,841	29%
Commercial Loans	\$ 9,188	21%
Agriculture Loans	\$ 2,974	7%
Total Loans	\$ 43,924	100%

Source: Call Report March 31, 2008

There are no financial conditions, legal constraints or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its assessment area. Tier 1 capital was reported at \$7 million as of March 31, 2008. The bank's previous CRA rating as of September 16, 2002 was Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has one AA. This is a change since the prior evaluation due to the addition of Marshall County to the Peoria MSA. Based upon the change in census tract designation and low level of activity, two CTs were removed from the bank's AA.

Competition for financial services within the AA remains strong. There are numerous banks, thrifts, and credit unions with facilities in Peoria and Marshall County.

Marshall/Peoria County AA

The Marshall/Peoria County AA is part of the Peoria MSA. The AA consists of a total of nine CTs: six CTs covering the northern portion of Peoria County and three CTs covering the western portion of Marshall County. The 2000 U.S. Census data shows this AA does not contain any low- or moderate-income CTs as all CTs are designated as middle- and upper-income.

The following is demographic information for the assessment area:

Table 2 - Demographic Information for the Marshall/Peoria County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	9	0%	0%	67%	33%
Population by Geography	32,208	0%	0%	61%	39%
Owner-Occupied Housing by Geography	13,009	0%	0%	60%	40%
Businesses by Geography	1,933	0%	0%	64%	36%
Farms by Geography	310	0%	0%	63%	37%
Family Distribution by Census Tract	9,257	0%	0%	60%	40%
Family Distribution by Income Level	9,257	14%	17%	25%	44%
Household Distribution by Income Level	12,246	14%	16%	19%	51%
Median Family Income	\$60,030	Median Housing Value			\$102,662
Median Household Income	\$51,756	Median Year Built			1962
2007 HUD Adjusted Median Family Income for Illinois Non-MSA	\$52,122	Average Monthly Gross Rent			\$ 449
Families Below the Poverty Level	3%	Households Below the Poverty Level			4%

Source: 2000 U.S. Census Data

Economic Data

The local economy is stable. The May 2008 unemployment rate of 4.7% for Marshall County compares favorably to the national average of 5.5% and the State of Illinois average of 6.4%. The unemployment rate of 5.2% for Peoria County is in line with the national average and well below the state average. The economy of the AA is concentrated in agriculture, manufacturing and services. Major employers in the area include: Allied Welding Co., Caterpillar Inc., Chillicothe Metal Co., J.T. Fennell Metal Fabricating Company, Mediacom, along with local schools and hospitals.

We contacted a local public official during the examination. The contact indicated the primary credit needs in the assessment area are general consumer and real estate loans. He felt FNB is actively meeting the credit needs of the area. The contact stated the economy in the assessment area is staying steady in a turbulent economic environment. The contact indicated there are not any credit needs or banking services not met or provided for by the local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB meets the standards for satisfactory performance.

- The distribution of loans to individuals of different income levels is satisfactory.
- A majority of the loans originated by FNB are to customers from within its AA.
- FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of loans reflects satisfactory penetration among individuals of different income levels (including low-, and moderate-income).

Residential Real Estate Loans

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels based on the HMDA data. In making this determination, we weighed the performance with low- and moderate-income families.

FNB's lending to moderate-income borrowers exceeds the percentage of moderate-income families. Although the HMDA data indicates the lending to low-income borrowers is below the percentage of low-income families in the AA, this is still considered satisfactory when considering the family poverty rate in the AA is three percent. Therefore, the overall lending to low- and moderate-income borrowers is reasonable.

Table 3 – Borrower Distribution of Residential Real Estate Loans in the Marshall/Peoria County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Real Estate	14%	7%	17%	23%	25%	33%	44%	37%

Source: HMDA records from January 1, 2006 to March 31, 2008; 2000 Census Data.

Consumer Loans

FNB's lending to borrowers of different income levels regarding consumer loans, given the demographics of the AA, is reasonable. Based on our sample, lending to low-income borrowers is slightly below the percentage of low-income households in the AA, and in addition, the lending to moderate-income borrowers is well below the percentage of moderate-income households in the AA. Although the lending to moderate-income borrowers is well below the percentage of moderate-income households, it is not *significantly* below the percentage of households. Thus, while the lending to low- and moderate-income borrowers is below the percentage of low- and moderate-income households in the AA, it is considered reasonable overall.

Table 4 – Borrower Distribution of Consumer Loans in the Marshall/Peoria County AA								
Household Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number
Consumer	14%	11%	16%	7%	19%	30%	51%	52%

Source: Bank records on loans originated or purchased from January 1, 2006 to March 31, 2008; 2000 Census Data.

LENDING IN THE ASSESSMENT AREA

A majority of the loans originated by FNB are to customers within its AA. FNB's lending to customers within the AA for residential real estate is reasonable, however the majority of consumer loans are outside FNB's AA. The bank continues to participate in indirect lending programs with a number of car dealers outside the AA, therefore lending outside of the AA is predominate. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Table 5 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Real Estate	89	73%	33	27%	122	\$ 8,255	56%	\$6,523	44%	\$ 14,778
Consumer	15	38%	25	63%	40	\$ 210	33%	\$ 429	67%	\$ 639
Totals	104	64%	58	36%	162	\$ 8,465	55%	\$6,952	45%	\$ 15,417

Source: Bank records on new loans originated in 2006, 2007, and through March 31, 2008.

LOAN-TO-DEPOSIT RATIO

FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period September 1, 2002, to March 31, 2008, was sixty-seven percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from fifty-seven percent to seventy-two percent. FNB's average loan-to-deposit ratio is comparable with five similarly situated banks, which range in asset size from \$44 million to \$150 million. The similarly situated banks utilized for comparison purposes are community banks located in Peoria and Marshall Counties.

GEOGRAPHIC DISTRIBUTION OF LOANS

A geographic distribution of loans was not performed at this examination. All the geographies are middle-and upper-income CTs, thus, the analysis would not be meaningful.

RESPONSES TO COMPLAINTS

FNB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.