



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 17, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens National Bank of Chillicothe
Charter Number 5634**

**33 W. Main Street
Chillicothe, Ohio 45601**

**Comptroller of the Currency
Central Ohio
325 Cramer Creek Court, Suite 101
Dublin, Ohio 43017**

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: This institution is rated Satisfactory.

OVERALL CONCLUSIONS

- The bank's current and 22-quarter loan-to-deposit ratios are reasonable and commensurate with those demonstrated by local peer banks.
- Analysis of the dispersion of the bank's loans in conjunction with its performance context indicate that a substantial majority of the bank's loans are made within the identified assessment area and show reasonable dispersion by both borrower income and income geography.

DESCRIPTION OF INSTITUTION:

Citizens National Bank (CNB) is a wholly owned subsidiary of First Capital Bancshares, Inc, a one bank intrastate holding company located in Chillicothe, Ohio. The main office of CNB is located approximately 60 miles south of Columbus, Ohio, in the City of Chillicothe, Ohio, the Ross County seat. The bank's primary business focus is retail/commercial banking and it offers traditional products and services through a total of four full service offices. The most recent office was opened during 2002. CNB has never closed a branch. All offices contain an automated teller machine (ATM) to provide 24-hour banking. Overall competition for loans and deposits within the bank's marketing area is moderate, and comes primarily from several local community banks and credit unions, as well as branches of regional institutions. Currently, no legal or economic impediments exist that could restrict the institution's ability to serve the community's credit needs. The bank earned a rating of satisfactory at the prior CRA examination completed in October 1998.

As of March 31, 2004, CNB reported total assets of \$125 million, Tier One capital of \$11 million, with net loans representing about 64% of assets. Loans for one-to-four family residential housing purposes represented about 58% of gross loans, with the remainder divided among loans having commercial, individual or agricultural purposes. The table below shows the bank's approximate loan mix as of March 31, 2004.

<i>Loan Mix as of March 31, 2004*</i>		
Loan Type	\$ 000s	Percentage
Residential Real Estate	48,225	59
Commercial/Commercial Real estate	27,942	34
Agricultural	373	1
Loans to Individuals	<u>5,197</u>	<u>6</u>
Totals	81,737	100

Source: March 31, 2004 Uniform Bank Performance Report

*Based on gross loans as of March 31, 2004

DESCRIPTION OF ASSESSMENT AREA (AA):

The bank currently has one AA, which represents all Block Number Areas (BNAs) located in Ross County and is not part of a Metropolitan Statistical Area (MSA). CNB currently holds about 17% of all AA deposits, which makes it the second largest holder of AA deposits according to the June 30, 2003 FDIC market share report. The AA completely surrounds the bank's offices, meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. As of the 1990 Census data, the AA contained a total of 15 BNAs. However, the 2000 Census data shows that the AA was further adjusted and now contains a total of 17 BNAs.

The overall economic condition in the AA is currently stable to slightly improving, with emphasis in manufacturing, medical care and agriculture. The unemployment rate in Ross County represented 7.7% as of March 2004 and continues to run above the state and national levels of 5.7% as of the same period. Current larger employers include Mead Corporation, Chillicothe and Ross County Correctional Institutes and Kenworth Truck.

Two community contacts, both employed by the City of Chillicothe, stated that a primary need in the AA is for more affordable (starter) housing units given the significantly increasing housing cost. They also mentioned that they knew of no specific credit products or services that were needed and not adequately offered, and knew of no areas that were significantly underserved for credit related products. Both community contacts believe that home mortgage loans were the primary credit need, but felt that these products were readily available within the marketplace and were offered by numerous lenders. Discussions also indicated that opportunities for participation from area institutions in any type of low- and/or moderate- income sponsored programs are very limited.

1990 Census Information:

The 1990 census shows that this AA contains a total population of 69,330. The AA reflects a non-MSA median family income of \$29,199 and contains about 18,158 families. The HUD 2002 Non MSA updated median family income for Ohio is \$48,700 (2001 and 2000 represented \$46,500 and \$45,300, respectively). The AA family total is made up of 24% low-income, 18% moderate-income, 21% middle-income and 37% upper-income families. Of the AA's 26,173 housing units, approximately 66% are owner occupied with an average median value of \$49,344. Of the 15 tracts in this AA, zero are classified as low-income, five (33%) are classified as moderate-income, nine (60%) are classified as middle-income, and one (7%) is classified as an upper-income geography. The table below summarizes the AA's income composition by families and geographies based on the 1990 census data.

<i>Families & Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	4,358	24%	3,268	18%	3,813	21%	6,719	37%
BNAs	0	0%	5	33%	9	60%	1	7%

Source: 1990 Census Data

2000 Census Information:

The 2000 census shows that this AA has noted significant changes in its income and geographic composition since the 1990 census. The new census data shows the county and AA having two additional BNAs (17 total) and a total population of 73,345. The AA notes a non-MSA median family income of \$43,970 and contains about 19,234 families. The HUD 2003 Non MSA updated median family income for Ohio is \$50,600. The AA consists of 19% low-income, 19% moderate-income, 23% middle-income and 39% upper-income families. Of the AA's 29,461 housing units, approximately 68% are owner occupied with an average median value of \$82,098, which is a 40% (\$32,754) increase over the 1990 census figure. Of the 17 tracts now in this AA, zero are classified as low-income, one (6%) is classified as moderate-income, 15 (88%) are classified as middle-income, and one (6%) is classified as upper-income geographies. The table below summarizes the AA's income composition by families and geographies based on the 2000 census data.

<i>Families & Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	3,654	19%	3,654	19%	4,423	23%	7,501	39%
BNAs	0	0%	1	6%	15	88%	1	6%

Source: 2000 Census Data

CONCLUSIONS ABOUT PERFORMANCE CRITERIA:

As the evaluation period includes decades governed by both the 1990 and 2000 census data, performance analysis was segregated using two different lending samples to accommodate the significant changes in the demographic composition noted above. This situation primarily affects the areas of income and geographic dispersion, which experienced the majority of the demographic changes. In these areas, loans with origination dates of 2003 were compared to 2000 census data and loans originated prior to 2003 were evaluated using the 1990 census data.

Loan-to-Deposit Ratio:

CNB's loan-to-deposit (LTD) ratio of 71% as of March 31, 2004, and average LTD ratio over the last 22 quarters of 78% are reasonable and meet the requirements for satisfactory performance. For analysis purposes, CNB's current and 22-quarter average LTD ratios were compared with a custom peer group consisting of four banks of similar size and purpose competing within the same AA. The analysis shows that CNB's LTD ratios were close to or within both the peer group's current range of 72% to 122%, and the 22-quarter average range of 63% to 91%. In addition, the bank began a mortgage banking operation during the evaluation period, which resulted in the bank originating and selling 31 loans for \$3.8 million. Adding back this loan origination amount would further enhance the bank's ratios.

Lending in Assessment Area:

The bank makes a substantial majority of home loans within its identified AA. A sample of 59 home loans made during the evaluation period were reviewed to determine the number of home loans originated within the AA. The sample shows that approximately 95% of all home loans originated during this period were from inside the banks identified AA. Sampling was performed, as management does not internally provide the specific geographic information (BNA) for each loan made, which is their option. The following table details the banks home loan lending within the AA.

<i>Sampled Home Loan Originations</i>					
<i>Total Home Loans Sampled</i>	CNB Assessment Area – Ross County, Ohio				<i>% Made in AA</i>
	Home Loans Made in AA				
	Sample Data	Sample Totals	In AA	Out of Area	
	59	2000 Census	30	28	
	1990 Census	29	28	1	

In addition, a sample of 20 (10 from 2003 and 10 from 2002 and earlier) commercial and agricultural purpose loans made within the review period was tested for performance in this area. Findings in this area further document that the bank makes a majority of its loans within the identified AA, as 16 (10 from 2003 and 6 from 2002 or earlier) or 80% of the sampled commercial loans were made inside the identified lending area.

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

The distribution of residential real estate lending reflects reasonable penetration among individuals of different income levels including low- and moderate-income borrowers and is reflective of overall satisfactory performance. In addition, the bank’s record of lending to business and farms of different sizes is reasonable and further supports the overall conclusion in this area. The information below details the bank’s performance in this area in relation to each census demographics analyzed.

2000 Census Data:

To determine the bank’s performance in this area, we analyzed 53 sampled home loans originated inside the AA for 2003 by borrower income level. Our analysis shows that the bank made four (8%) of its loans to low-income borrowers, 13 (25%) to moderate-income borrowers, 14 (26%) to middle-income borrowers and 22 (41%) to upper-income borrowers. The level of lending to low-income borrowers is well below the AA demographic (19%). However, 12% of the AA low-income population is below the poverty line and would have difficulty meeting minimum credit standards. In addition, the banks level of lending to moderate-income borrowers well exceeds the AA demographic (19%). Overall, this dispersion to low- and moderate-income borrowers is acceptable and meets standards for satisfactory performance. The table on the following page demonstrates the banks dispersion of home loans by borrower income and compares this dispersion to the AA’s specific family income composition.

*Dispersion of Sampled Home Loans
By Borrower Income vs. AA Family Income Composition
Based on the 2000 Census Data*

Income Category	Sampled Home Loans Originated in 2003				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	4	8	185	5	19%
Moderate	13	25	770	20	19%
Middle	14	26	1,116	29	23%
Upper	22	41	1,755	46	39%
Totals	53	100	3,826	100	100%

The bank's lending to businesses of different sizes is reasonable when compared to the AA business dispersion and further supports satisfactory performance. According to the 2000 census data, 69% of all AA businesses reported total revenues of under \$1 million, 5% reported revenues of over \$1 million, and 26% did not report revenue. The sample of 10 commercial purpose loans made in the AA during the review period was tested to determine the annual revenue for each. The sample noted that 100% of these loans were made to businesses or farms with total annual revenues under \$1 million.

1990 Census Data:

To determine the bank's performance in this area, 53 sampled home loans originated inside the AA for 2002 and earlier were evaluated by borrower income level. The analysis shows that the bank made one (2%) of its loans to low-income borrowers, 19 (36%) to moderate-income borrowers, 19 (36%) to middle-income borrowers and 14 (26%) to upper-income borrowers. The level of home originations to low-income borrowers is well below the percentage of low-income families in the AA (24%) and is not consistent with satisfactory performance. However, overall performance is reasonable considering that 17% of all AA families are below the poverty level and would have trouble meeting routine credit criteria.

Community contacts have indicated that affordable (starter) homes are a need in the AA as most affordably priced homes are older and require additional investment once purchased. Conversely, the majority of new construction in the AA is centered in much more expensive homes due to market demand. Discussions with management indicate that competition in the AA for residential loans remains strong and includes many mortgage brokers that are very aggressive and can offer many different product types through many different lenders.

Management stated that bank's approved policy limit for collateral loan-to-values (LTV) of 85% of the appraisal amount may deter some lower income applicants. Although the bank now has access to the secondary market, the primary investor still requires credit enhancement products for loans with LTVs exceeding 80%, which again may deter lower income applicants. In response, the bank is preparing to offer an affordable housing loan product in conjunction with the Federal Home Loan Bank.

In combination, these situations do limit the availability of home loan lending opportunities in the low-income category. Additionally, the bank's level of lending to moderate-income borrowers (36%) again significantly exceeds the AA percentage of moderate-income families (18%). The table below demonstrates the bank's dispersion of home loans for both samples by

borrower income and compares this dispersion to the AA's specific family income composition.

<i>Dispersion of Sampled Home Loans By Borrower Income vs. AA Family Income Composition Based on the 1990 Census Data</i>					
Income Category	Sampled Home Loans Originated in 2002 or earlier				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	1	2	22	1	24%
Moderate	19	36	950	27	18%
Middle	19	36	1,112	31	21%
Upper	14	26	1,471	41	37%
Totals	53	100	3,555	100	100%

The bank's lending to business of different sizes in the AA is reasonable when compared to the AA business dispersion and further supports satisfactory performance. According to the 1990 census data, 83% of all the AA businesses reported total revenues of under \$1 million, 5% reported revenues of over \$1 million, and 12% did not report revenue. With this data in mind, the sample of 6 commercial purpose loans made in the AA during the review period was tested to determine the annual revenue for each. This sample also noted that 100% of these loans were made to businesses or farms with total annual revenues under \$1 million.

Geographic Distribution of Loans:

The bank's distribution of loans throughout geographies of different income levels, including low- and moderate-income geographies is reasonable and meets the standards for satisfactory performance. The analysis below details the bank's lending activity in the different income geographies for the identified AA.

2000 Census Data:

To determine the bank's performance in this area, we again used the 28 home loans originated in this AA in 2003, but evaluated them by income geography. This information was then compared against the AA's level of owner-occupied housing units in each income category. As the bank has no low-income BNAs within this AA, conclusions are based on the penetration of the other three income categories. This evaluation shows that the bank made no loans in moderate-income BNAs, 26 (93%) in middle-income BNAs, and two (7%) in upper-income BNAs. This dispersion is reasonable when compared with the overall geographic and demographic income composition of the AA and meets standards for satisfactory performance.

The bank's home loan activity in the moderate-income tract shows below the demographic make-up. However, the bank's one moderate-income BNA contains only 5% of the AA families. Sixteen percent of those families below the poverty level and would have trouble meeting standard credit criteria, as well as affording the \$82,098 median housing cost. In addition, the one moderate-income tract contains only 4% of all AA owner occupied housing. In

general, the combination of these factors would not allow for numerous home loan opportunities in this geography. The table below details the bank's home loan lending to different income geographies by number and dollars, and compares this activity to the level of owner-occupied housing units in each geography.

<i>Dispersion of Sampled Home Loans By Geography Income vs. AA Owner Occupied Housing Units Based on the 2000 Census Data</i>					
Income Category	Sampled Home Loans Originated in 2003				% Of AA Owner Occupied Housing Units
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	NA	NA	NA	NA	NA
Moderate	0	0	0	0	4%
Middle	27	96	2,049	95	93%
Upper	1	4	118	5	3%
Totals	28	100	2,167	100	100%

1990 Census Data:

To determine the bank's performance in this area, we again used the 28 sampled home loans originated in this AA during the review period, but evaluated them by income geography. This information was then compared against the AA's level of owner-occupied housing units in each income category. As the bank has no low-income tracts within this AA, conclusions are based on the penetration of the other three income categories. This evaluation shows that the bank made seven (29%) of its loans to moderate-income tracts, 20 (71%) to middle-income borrowers, and zero to upper-income tracts. This dispersion is reasonable when compared to the level of owner occupied housing units in the AA and supports satisfactory performance. The table below details the bank's home loan lending to different income geographies by number and dollars, and compares this activity to the level of owner-occupied housing units in each geography.

<i>Dispersion of Sampled Home Loans By Geography Income vs. AA Owner Occupied Housing Units Based on the 1990 Census Data</i>					
Income Category	Sampled Home Loans Originated in 2002 and earlier				% Of AA Owner Occupied Housing Units
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	

Low	NA	NA	NA	NA	NA
Moderate	8	29	513	24	33%
Middle	20	71	1,627	76	60%
Upper	0	0	0	0	7%
Totals	28	100	2,140	100	100%

Responses to Complaints:

The bank has not received any complaints about its CRA performance during the review period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.