



PUBLIC DISCLOSURE

November 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens National Bank of Norwalk
Charter Number 11275**

**12 East Main Street
Norwalk, Ohio 44857**

Comptroller of the Currency

**3 Summit Park Drive, Suite 530
Independence, Ohio 44131**

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 The Citizens National Bank of Norwalk, Norwalk, Ohio as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of November 8, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. The last CRA evaluation for this institution was prepared July 17, 1996 and resulted in a "Satisfactory" rating.*

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

- The bank's quarterly loan to deposit ratio meets the standards for satisfactory performance.
- The bank's record of lending within its assessment area meets the standards for satisfactory performance.
- The bank's lending performance to borrowers of different income levels within its assessment area meets the standards for satisfactory performance.
- A geographic distribution of loans analysis was not applicable, as the bank's assessment area does not contain any low- or moderate-income geographies.
- No consumer complaints have been filed regarding the bank's performance under the Community Reinvestment Act.

DESCRIPTION OF INSTITUTION

The Citizens National Bank of Norwalk is a \$134 million dollar institution owned by Independent Community Bancorp, a one bank holding company located in Norwalk with \$136 million dollars in consolidated assets as of December 1998. The bank has three (3) full service branches in Huron County, Ohio, all of which are located within the city limits of Norwalk. Since the previous examination, the bank purchased a branch of Fifth Third Bank at 16 Executive Drive, Norwalk and relocated the Benedict Avenue accounts to this location. All branches provide ATM services for customers.

The bank is primarily a consumer lender. Using call report data, the bank's net loan portfolio comprises 69% of the bank's total assets. As of June 1999, real estate lending of \$31.7 million represented 34% of the bank's total lending portfolio. Of this, \$23.7 million or 75% represents lending for 1-4 family residential real estate. Commercial lending of \$35.1 million and consumer installment lending of \$26.8 million represented 37% and 29% respectively. Agricultural and other lending represented less than 1% or \$280 thousand dollars of the bank's loan portfolio.

The bank has continued to focus its loan growth in the consumer installment and commercial loan arena. Since the previous examination, the bank has ceased residential real estate sales on the secondary market and begun to refer fixed-rate mortgage loans to Countrywide Mortgage Company. The loan portfolio numbers incorporate and reflect real estate and consumer installment purchases made by the bank in 1998 after the Fifth Third branch acquisition.

There are no current financial or legal impediments that could prevent the bank from meeting its community credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of all of Huron County (13 geographies) and 2 geographies in Erie County. The bank's entire assessment area is comprised of non-MSA geographies. Of these, 13 (87%) are middle-income and 2 (13%) are upper-income. The bank's assessment area does not contain any low- or moderate-income geographies. All bank branch offices and ATMs are located within the designated assessment area. The assessment area does not arbitrarily exclude any low- or moderate-income areas.

We made a minor adjustment to the assessment area to fully comply with the technical aspects of the regulation.

The Department of HUD's 1999 updated median family income for non-MSA areas is \$43,200. The 1990 Census Bureau lists the assessment area population at 67,439 persons which comprises 18,711 families. Of these families, 14% are low-income, 18% are moderate-income, 25% are middle-income and 43% are upper-income. At least 33% of the household income in this assessment area is derived from public assistance and social security. Households with incomes below the poverty level are 8%. Housing units consist of 69% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$58,902.

According to Business Demographic Data by Dunn and Bradstreet, during 1999 there were 2,886 businesses, including 451 agricultural-related entities, located within the assessment area. As of June 1999, the Huron County unemployment rate was 6.5%, which was higher than the state unemployment rate of 4.2%.

Huron County is considered to be primarily a rural area with a diverse economic base. Industries located within the area include automobile-related manufacturing, agricultural, travel and tourism and service-related businesses. During the late 1970's and early 1980's, Huron County experienced a decline in its economic environment, with high unemployment rates and commercial attrition. While previously depressed, Huron County is currently experiencing an economic rebirth resulting from the development of several industrial park facilities. This, coupled with the county's proximity to metropolitan areas and accessibility to major ground transportation routes has encouraged new business back to the area. Major employers in the area include the Midwest Tool & Dye, RR Donnelly & Son, Armstrong Air Conditioning, Industrial Powder Coating and Norwalk Furniture.

Competition within the bank's assessment area is strong. However, no financial institutions of similar size operate within the bank's assessment area. The majority of the financial institutions located within Huron County are considerably smaller with respect to asset size. These include Industrial Savings and Loan Association and First National Bank of Bellevue. There are also several branches of large institutions including National City, Key Bank and FirstMerit Bank. Competition from non-local mortgage companies and other entities is also steadily increasing.

Two community development corporations were contacted during the examination. Both indicated that the existing housing stock is in good condition and not in need of rehabilitation. The recent economic improvements have also initiated downtown revitalization projects by several local communities. These façade and infrastructure improvements are efforts to encourage service and retail business back to the community. Both groups indicated that the major credit needs of the assessment area include affordable residential mortgage loans and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN TO DEPOSIT RATIO

The Citizens National Bank of Norwalk's loan-to-deposit ratio meets the standards for satisfactory performance. The average net loan-to-deposit ratio for the quarters beginning September 1996 through September 1999 is 76.9%. The third and fourth quarter 1998 fluctuations reflect the bank's purchase of \$37 million dollars in deposits in conjunction with a branch acquisition. The bank's prompt loan to deposit recovery was accommodated through subsequent real estate and consumer installment loan purchases.

In comparison to its national peer group of bank's of similar size (71.8%), CNB's loan to deposit ratio is reasonable.

LOAN TO DEPOSIT RATIO BY QUARTER														
	3Q96	4Q96	1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98	4Q98	1Q99	2Q99	3Q99	Average
CNB	77.2	76.6	83.1	82.7	78.4	76.3	83.0	79.3	60.4	68.7	75.7	77.6	80.7	76.9
Peer	69.5	68.7	68.6	71.6	72.2	71.5	71.2	72.8	73.6	71.5	72.1	74.4	75.9	71.8

*Ratios represent a national peer comparison.

IN AND OUT RATIO

The Citizens National Bank of Norwalk's record of lending within its assessment area meets the standards for satisfactory performance. The bank made a majority of its consumer and commercial loans within its assessment area. This Public Evaluation covers the bank's lending activity of residential real estate, consumer installment and small business loans for the period January 1997 through September 1999. Conclusions are based on a sample of originated loans within each product category. For the evaluation period, the bank originated 72% of its loans and 60% of the loan dollars within the assessment area.

RECORD OF LENDING WITHIN ASSESSMENT AREA								
	Within Assessment Area				Outside Assessment Area			
	#	%	\$	%	#	%	\$	%
Residential Real Estate	16	80%	494	69%	4	20%	220	31%
Consumer Installment	10	50%	127	47%	10	50%	143	53%
Small Business	17	85%	1409	59%	3	15%	967	41%
Total Loans	43	72%	2030	60%	17	18%	1330	40%

* Dollar amounts are as thousands.

DISTRIBUTION WITHIN THE ASSESSMENT AREA

Based on the number and dollar amount of loan originations since the previous examination, the bank's primary lending focus is evenly distributed among residential real estate, consumer installment and commercial customers. Both residential real estate and small business lending were identified as credit needs by local community groups. This public evaluation covers the bank's lending activity of these three product groups for the period January 1997 through September 1997.

Geographic Distribution of Loans

The Citizens National Bank of Norwalk's assessment area contains no low- or moderate-income geographies. As such, a geographic distribution of credit analysis would not be meaningful.

Borrower Distribution of Loans

This analysis reviews the bank's lending performance of residential real estate, consumer installment and small business loans to borrowers, by income level, within the bank's assessment area. Conclusions are based on a sample of originated loans within each product category.

	Residential Real Estate		Consumer Installment	
	% bank loans	% families	% bank loans	% families
Low	12.50%	14.07%	20.00%	14.07%
Moderate	18.75%	17.93%	40.00%	17.93%
Middle	12.50%	24.69%	30.00%	24.69%
Upper	56.25%	43.32%	10.00%	43.32%

*Based on 1999 HUD income and demographic data.

The bank's overall lending performance to borrowers of different income levels meets the standards for satisfactory performance. The bank's residential real estate lending performance to low- and moderate-income borrowers reasonably reflects the demographic characteristics of the assessment area. Consumer installment lending to low- and moderate-income borrowers exceeds the demographic characteristics for the bank's assessment area.

Commercial Lending to Businesses of Different Sizes		
	% bank loans	% businesses
Revenues <\$1million	88.24%	75.57%
Revenues >=\$1 million	11.76%	7.52%
Revenues not reported	0.00%	16.91%

*Based on 1999 HUD income and demographic data

The bank's lending performance to businesses of different sizes reflects the demographic characteristics of the assessment area. Loans to small businesses comprised 88% of the loans sampled. Of these, 80% were small business loans under \$100 thousand dollars. The bank also participated with other financial institutions in local funding projects for the Norwalk Downtown Revitalization effort.

FAIR LENDING ANALYSIS

The Fair Lending analysis for The Citizens National Bank of Norwalk focused on consumer installment lending. This review examined declined female applicants to approved male applicants to determine the bank's level of underwriting standards consistency. The analysis did not reveal any discriminatory treatment or illegal practices. The bank is in substantial compliance with the provisions of anti-discrimination laws and regulations.

RESPONSE TO COMPLAINTS

No consumer complaints have been filed regarding the bank's performance under the Community Reinvestment Act during this period.