



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 14, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First Citizens National Bank of Upper Sandusky  
Charter Number 18783**

**100 North Sandusky Avenue  
Upper Sandusky, Ohio 43351**

**Comptroller of the Currency  
Central Ohio  
325 Cramer Creek Court, Suite 101  
Dublin, Ohio 43017-3577**

**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.**

- The bank's current and 24-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 indicates that a majority of the bank's loans are made within the identified assessment area and shows reasonable dispersion by borrower income. As the bank has only middle- or upper-income geographies, dispersion by income geography is not applicable.

## **DESCRIPTION OF INSTITUTION:**

First Citizens National Bank (FCNB) is an independent, intrastate community bank located approximately 65 miles north of Columbus, Ohio, in the City of Upper Sandusky, Ohio, the Wyandot County seat. The bank's primary business focus is retail/commercial banking and it offers traditional products and services through a total of nine full service offices. The most recent office was opened during 2002 and FCNB has never closed a branch. Four offices contain an automated teller machine (ATM) to provide 24-hour banking. Overall competition for loans and deposits within the bank's overall marketing area is moderate, and comes primarily from several local community banks and credit unions, as well as branches of regional institutions. However, competition within the Powell, Ohio market segment is strong.

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 August 1999, and the current rating period runs from that date through November 14, 2005.

As of September 30, 2005, FCNB reported total assets of \$221 million, Tier One capital of \$34 million, with net loans representing about 66% of assets. Loans for one-to-four family residential housing purposes represented about 57% 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 September 30, 2005.

<i>Loan Mix as of September 30, 2005*</i>		
<b>Loan Type</b>	<b>\$ 000s</b>	<b>Percentage</b>
Residential Real Estate	84,171	57
Commercial/Commercial Real estate	36,917	25
Agricultural	20,673	14
Loans to Individuals	<u>5,907</u>	<u>4</u>
<b>Totals</b>	<b>147,668</b>	<b>100</b>

Source: September 30, 2005 Uniform Bank Performance Report

\*Based on gross loans as of September 30, 2005

## **DESCRIPTION OF ASSESSMENT AREAS (AAs):**

The bank has three AAs primarily, with one noting the majority of activity. In addition, AAs are different depending on the data year reviewed due to demographic changes resulting from the 2000 census data. For the 2003 data year, the bank actually has four AAs, compared to three for data years 2004 and 2005 (please see below for complete detail). However for each year, all applicable AAs completely surround the bank's offices, meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. Management estimates that over 90% of all lending activity occurs within the Non Metropolitan Statistical Area (MSA) AA and it was weighted heavier in the final evaluation.

### **Non MSA AA:**

The first and primary AA (Non MSA) represents all six Census Tracts (CT) of Wyandot County, two CTs of northeast Hardin County and one CT of southeast Hancock County. This AA does not include any MSA geographies. FCNB currently holds about 10% of all the deposits within these three counties, which ranks it fourth out of the seventeen largest holders of AA deposits according to the June 30, 2005 FDIC market share report. However, this report also shows that FCNB is the second largest deposit holder for just Wyandot County with about 35% market share.

In 2004, this AA was increased by one CT of western Crawford County, which borders Wyandot County to the east. Crawford County was formerly in the Mansfield Ohio MSA #4800, but was removed from the MSA when it was renamed MSA #31900 in 2004. This tract has been added to the Non MSA AA for analysis purposes for years 2004 and 2005, and remains classified as a middle-income tract. For analysis purposes, this AA has nine CTs for 2003 and 10 CTs (all middle-income) for 2004 and 2005. Internal branch reports show that over 80% of all bank loan totals are housed within this AA, specifically within Wyandot County. Again, this AA represents the bank's primary lending territory and was provided the most weight in the final evaluation.

The economic condition in the AA is currently stable, with emphasis in light manufacturing and agriculture, but Wyandot County has lost several larger employers. The combined average unemployment rate for the above mentioned counties represented 5.4% as of August 2005, and continues to run slightly above the national levels of 4.9%, but below the state level of 5.9%, as of the same period. Current larger employers include M-Tek, Bridgestone and Blackhawk Automotive Plastics.

Three community contacts stated that a primary need in the AA is for more affordable (starter) housing units given the rising 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. Most 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 limited.

The 2000 census shows that this AA contains a total population of 35,607. The AA notes a

median family income of \$46,447 and contains about 10,021 families. The HUD 2005 Non MSA updated median family income for Ohio is \$50,700. The AA family total in 2003 is made up of 13% low-income, 21% moderate-income, 26% middle-income and 40% upper-income families. Of the AA's 14,390 housing units, approximately 74% are owner-occupied and have an average median value of \$83,902. All of the nine tracts in this AA as of 2003 are classified middle-income tracts. Changes in 2004 were not significant from 2003 except for the addition of one CT to the AA as discussed above. The tables below summarize the AA's income composition by families and geographies based on the 2000 census data.

<b>Non-MSA AA Income Composition for 2003</b>								
<i>Families &amp; Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	1,303	13%	2,104	21%	2,605	26%	4,009	40%
CTs	0	0%	0	0%	9	100%	0	0%

Source: 2000 Census Data

<b>Non-MSA AA Income Composition for 2004</b>								
<i>Families &amp; Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	1,471	13%	2,263	20%	2,942	26%	4,640	41%
CTs	0	0%	0	0%	10	100%	0	0%

Source: 2000 Census Data

**Columbus MSA AA:**

The second AA consists of four tracts of the Columbus, Ohio MSA #1840 located in northern Delaware County. The bank currently has one branch (Powell, Ohio) in this AA, which is about 50 miles south of the main office and located in a very affluent suburb of Columbus. Management originally selected only the CT where the Powell, Ohio branch was located, but this tract subsequently split into four tracts as a result of the 2000 census and all tracts were retained. FCNB has been historically unable to penetrate this market either for loans or deposits due to heavy competition from larger community and regional banks. The June 30, 2005 FDIC market share report shows FCNB with only .03% of all MSA deposits, ranking it 53<sup>rd</sup> out of 57 institutions doing business in the Columbus MSA. Internal bank branch reports further show that this AA accounts for only 3.6% of total bank deposits and only 4.8% of total loans. Given the small composition and low overall penetration of this AA, performance in the Columbus MSA AA was provided minimal weight when developing overall conclusions.

The 2000 census shows that this AA contains a total population of 15,429. The MSA notes a median family income of \$63,850, but the median income for just these four tracts is well above this figure at about \$108,894. Of the AA's 4,461 families, 3% are low-income, 7% are moderate-income, 12% are middle-income and 78% are upper-income families. Of the AA's 5,681 housing units, approximately 83% are owner-occupied and have an average median value of \$272,022. All of the four tracts in this AA are classified upper-income. The following table

summarizes the AA's income composition by families and geographies based on the 2000 census data.

<b>Columbus MSA AA Income Composition</b>								
<i>Families &amp; Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	134	3%	312	7%	535	12%	3,480	78%
CTs	0	0%	0	0%	0	0%	4	100%

Source: 2000 Census Data

**Mansfield, Ohio MSA #4800**

The third AA consists of one CT of the Mansfield, Ohio MSA #4800 containing the western most edge of Crawford County, which borders Wyandot County. The bank has no offices in this AA, but its Nevada Branch is within close proximity. This AA changed in 2004, as the MSA number migrated to #31900 and all Crawford County tracts were removed from this MSA.

Given this situation, the bank no longer considers this MSA as an AA and analysis of lending performance includes only data from 2003. The one tract in Crawford County has been added to the Non MSA AA described above for 2004 forward as it is contiguous with that AA. As the bank has no offices in the Mansfield AA, its penetration is very limited. The June 30, 2005 FDIC market share report does not even include FCNB within its report of leading deposit holders for the Mansfield MSA.

The 2000 census shows that the Mansfield AA contains a total population of 4,329. The AA notes a 2005 HUD updated median family income of \$52,300 and contains about 1,295 families. The AA family total is made up of 15% low-income, 16% moderate-income, 32% middle-income and 37% upper-income families. Of the AA's 1,690 housing units, approximately 81% are owner-occupied and have an average median value of \$89,400. The one tract in this MSA AA was a middle-income tract while part of the MSA and continues to be classified as a middle-income tract after the 2004 changes. Given this change, performance in this MSA will be evaluated using 2003 data only, and was provided minimal weight given its small composition. The table below summarizes the AA's income composition by families and geographies.

<b>Mansfield, Ohio MSA AA Income Composition</b>								
<i>Families &amp; Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	194	15%	207	16%	415	32%	479	37%
CTs	0	0%	0	0%	1	100%	0	0%

Source: 2000 Census Data – For use in the 2003 data year only

**Marion AA:**

The fourth AA consists of one CT of Marion County and is not in an MSA, but is also not contiguous to the other Non MSA tracts and represents a separate AA. This AA is newer and

was added to coincide with the opening of the Marion Branch located in this tract during September 2002. Management elected to include only the CT containing this new branch until they could effectively determine where the majority of activity in the Marion County market was centered. As this is a newer market for the bank, penetration is currently low, but is increasing. The June 30, 2005 FDIC market share report shows FCNB to have a 1.03% market share of the county deposits, ranking it tenth out of ten banks competing in this area. Internal bank branch reports show that this AA accounts for only 4.3% of total bank deposits and 14.0% of total loans. However, the loan percentage is somewhat inflated as it includes loans to existing clients living or working in this market that were originated prior to the branch deployment and transferred to this facility for internal accounting purposes. Management estimates that only about 7% of the total bank loans stem from new activity at the Marion Branch, with the majority of this amount in a handful of large credit relationships. Given the small size of this AA (one CT), its Non MSA nature, and its similarity to the other Non MSA AA tracts, activity from this area was included in the Non MSA AA for analysis and conclusion purposes.

The 2000 census shows that this AA contains a total population of 4,449 and about 1,242 families. The HUD 2005 Non MSA updated median family income for Ohio is \$50,700. The AA family total is made up of 9% low-income, 14% moderate-income, 18% middle-income and 59% upper-income families. Of the AA's 2,032 housing units, approximately 66% are owner-occupied and have an average median value of \$125,700. The one tract in this AA is classified as upper-income. The table below summarizes the AA's income composition by families and geographies based on the 2000 census data. The table below summarizes the AA's income composition by families and geographies based on the 2000 census data.

<b>Marion AA Income Composition</b>								
<i>Families &amp; Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	112	9%	174	14%	224	18%	732	59%
CTs	0	0%	0	0%	1	100%	0	0%

Source: 2000 Census Data

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

- Based on criteria for the CRA lending test, this bank's lending performance is satisfactory.

### **Loan-to-Deposit Ratio:**

FCNB's loan-to-deposit (LTD) ratio of 78% as of June 30, 2005, and average LTD ratio over the prior 24-quarters of 72% are reasonable and meet the requirements for satisfactory performance. For analysis purposes, FCNB's current and 24-quarter average LTD ratios were compared with a custom peer group consisting of all domestic commercial banks headquartered in either Crawford, Delaware, Hancock, Hardin, Marion or Wyandot Counties and having total assets between \$100 million and \$500 million. The analysis shows that FCNB's LTD ratios were

within both the peer group's current range of 51% to 90%, and the 24-quarter average range of 54% to 92%. In addition, FCNB's 24-quarter average LTD ratio was very close to the overall average ratio for all banks in this custom peer group of 76%.

**Lending in Assessment Area:**

The bank's makes a majority of loans within its identified AAs and demonstrates satisfactory performance. All HMDA home loans originated in 2003, 2004 and through September 30, 2005, were reviewed to determine the number of home loans originated within the AA. The analysis shows that approximately 82% of all home loans originated during this period were from inside the bank's identified AA. The following table details the bank's home loan lending within the AA.

<i>HMDA Home Loan Originations</i>				
<i>Total HMDA Home Loans</i>	<b>FCNB Assessment Areas Home Loans Made in AA</b>			<i>% Made in AA</i>
	<b>Year</b>	<b>HMDA Totals</b>	<b>In AA</b>	
<b>909</b>	<b>2003</b>	<b>532</b>	<b>437</b>	<b>95</b>
	<b>2004</b>	<b>263</b>	<b>212</b>	<b>51</b>
	<b>2005</b>	<b>114</b>	<b>96</b>	<b>18</b>
				<b>82%</b>

In addition, a sample of 118 commercial and/or agricultural purpose loans made in 2003, 2004 or 2005, 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 80 or 68% of the sampled commercial loans were made inside the identified lending areas.

**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 applicable AA and data year analyzed.

**2003 Data Year: Non MSA AA**

To determine the bank's performance in this area, the 422 HMDA reported loans originated in 2003 in the Non MSA AA were evaluated by borrower income level. This number includes three loans made in the Marion County CT as discussed before. The analysis shows that the bank made 43 (10%) of its loans to low-income borrowers, 87 (21%) to moderate-income borrowers, 131 (31%) to middle-income borrowers, and 131 (31%) to upper-income borrowers, with 30 (7%) not reporting income information. Lending to low-income borrowers is less than the AA demographic (13%), but within a reasonable level. A factor affecting the low-income dispersion is that 7% of the AA population is below the poverty line. In addition, the bank's level of lending to moderate-income borrowers matches the AA demographic (21%). Overall, this dispersion is acceptable and meets standards for satisfactory performance. Conclusions from

this AA were provided the most weight in the performance evaluation as it represented 97% of all HMDA loans made in 2003. The following table demonstrates the banks dispersion of home loans by borrower income and compares this dispersion to the AA's specific family income composition.

<i>Dispersion of HMDA Home Loans By Borrower Income vs. AA Family Income Composition Originated in the Non MSA AA in 2003</i>					
Income Category	HMDA Home Loans Originated in 2003				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	43	10	1,777	5	13%
Moderate	87	21	4,833	15	21%
Middle	131	31	9,565	29	26%
Upper	131	31	13,898	41	40%
NA	30	7	3,426	10	NA
<b>Totals</b>	<b>422</b>	<b>100</b>	<b>33,499</b>	<b>100</b>	<b>100%</b>

The bank's lending to business of different sizes is reasonable when compared to the AA business dispersion and further supports satisfactory performance. According to the 2000 census data, 75% of all AA businesses reported total revenues of under \$1 million, 4% reported revenues of over \$1 million, and 21% did not report revenue. Of the 80 commercial loans sampled, 23 were made in 2003. Of these 23, 91% (21) were made to businesses or farms with total annual revenues under \$1 million, with two loans noting no income data. Of note, 96% of the sampled loans made in 2003 were attributed to the Non MSA AA (including the Marion CT). We noted only one loan from the Mansfield MSA AA with zero from the Columbus MSA AA. Attempts to obtain more loans in the MSA AAs indicated that few were available. Management again cited the lack of market penetration and strong competition for these types of credits in the MSA areas. Given the limited volume noted in MSA AAs for this period, conclusions are based on performance in the Non MSA AA, which represents the majority of activity.

**2003 Data Year: Columbus MSA #1840 AA**

To determine the bank's performance in this area, the two HMDA reported loans originated in 2003 in the Columbus MSA AA were evaluated by borrower income level. The analysis shows that the bank made one (50%) of its loans to low-income borrowers, zero (0%) to moderate-income borrowers, zero (0%) to middle-income borrowers, and one (50%) to upper-income borrowers. Lending to low-income borrowers greatly exceeds the AA demographic (3%) and lending to moderate-income borrowers is well below the demographic (6%). Performance in this MSA is considered weaker due to the low penetration. However, the limited activity in this AA does not allow for meaningful conclusions in this area and is provided little weight in the performance evaluation. Given the very low volume, a table summarizing HMDA lending activity in this AA for 2003 is not provided.

**2003 Data Year: Mansfield MSA #4800 AA**

To determine the bank’s performance in this area, the 13 HMDA reported loans originated in 2003 in the Mansfield MSA AA were evaluated by borrower income level. The analysis shows that the bank made two (15%) of its loans to low-income borrowers, two (15%) to moderate-income borrowers, four (31%) to middle-income borrowers, and five (39%) to upper-income borrowers. Lending to low-income and moderate-income borrowers is commensurate with the AA demographics (15% & 16%, respectively) and evidences satisfactory performance, but lending activity is again very low in this AA as well. The table below demonstrates the bank’s

dispersion of home loans by borrower income and compares this dispersion to the AA’s specific family income composition.

<i>Dispersion of HMDA Home Loans By Borrower Income vs. AA Family Income Composition Originated in the Mansfield MSA AA in 2003</i>					
Income Category	HMDA Home Loans Originated in 2003				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	2	15	93	9	15%
Moderate	2	15	132	12	16%
Middle	4	31	431	41	32%
Upper	5	39	404	38	37%
Totals	13	100	1,060	100	100%

**2004 and 2005 Data Years: Non MSA AA**

As discussed earlier, the demographic composition of AAs changed in 2004. Specifically, Crawford County was removed from the Mansfield MSA #4800. This CT is now included as part of the Non MSA AA as it is contiguous with these tracts, and the Mansfield MSA (renamed #31900) is no longer included as an AA.

To determine the bank’s performance in this area, the 308 HMDA reported loans originated in the AAs for 2004 and through nine months of 2005 were evaluated by borrower income level. Of the 308 loans, 306 (99%) were attributed to the Non MSA AA (including one loan made in the Marion AA). During this period, only two HMDA reportable loans were made in the Columbus MSA (both in 2004). As stated earlier, FCNB has been unable to penetrate the identified CTs in the Columbus MSA, especially for home loans due to a limited product offering and very stiff competition from many other bank’s and mortgage brokers. In addition, the locations of the identified tracts in both the Columbus MSA AA and the Marion AA are primarily retail in nature. Given this situation, analysis was concentrated on the Non MSA AA as it represented 99% of all HMDA activity during this period and conclusions for performance are heavily weighted on this AA. Analysis for the Marion AA was included in the Non MSA due to its similarity with other Non MSA tracts and its limited activity. Analysis was not performed on the Columbus MSA AA as the very limited activity (two loans) does not allow for meaningful conclusions and was provided little weight in the performance evaluation.

The analysis of the 306 loans made in the Non MSA AA shows that the bank made 28 (9%) of

its loans to low-income borrowers, 68 (22%) to moderate-income borrowers, 94 (31%) to middle-income borrowers, and 106 (35%) to upper-income borrowers, with five (3%) not reporting income information. Lending to low-income borrowers is less than the AA demographic (13%), but within a reasonable level. A factor affecting the penetration to low-income borrowers is that 7% of the AA population is below the poverty line. In addition, the banks level of lending to moderate-income borrowers exceeds the AA demographic (20%). Overall, this dispersion is acceptable and meets standards for satisfactory performance. Performance in the MSA AA is considered weaker due to the low penetration. The following table demonstrates the banks dispersion of home loans made in the Non MSA AA by borrower income and compares this dispersion to the AA's specific family income composition. Given the low level of HMDA originations (two), a table summarizing performance in the Columbus MSA AA would not be meaningful and was not provided.

<i>Dispersion of HMDA Home Loans By Borrower Income vs. AA Family Income Composition Originated in the Non MSA AA in 2004 and 2005</i>					
Income Category	HMDA Home Loans Originated in 2004 and 2005				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	28	9	1,043	4	13%
Moderate	68	22	3,856	16	20%
Middle	94	31	6,773	28	26%
Upper	106	35	10,972	45	41%
NA	10	3	1,603	7	NA
<b>Totals</b>	<b>306</b>	<b>100</b>	<b>24,247</b>	<b>100</b>	<b>100%</b>

The bank's lending to business of different sizes is reasonable when compared to the AA business dispersion and further supports satisfactory performance. According to the updated 2000 census data, 76% of all AA businesses reported total revenues of under \$1 million, 4% reported revenues of over \$1 million, and 20% did not report revenue. Of the 80 commercial loans originally sampled, 57 were made in either 2004 or 2005, with 53 (93%) made to businesses or farms with total annual revenues under \$1 million. Of the 57, 98% were attributed to the Non MSA AA (including the Marion CT). We noted only one commercial loan from the Columbus MSA AA during this period. Attempts to obtain more loans in the Columbus MSA AA yielded few others and management again cited the lack of market penetration and strong competition for these types of credits within the MSA. Given the limited volume noted in the MSA for this period, conclusions are again based on performance in the Non MSA AA, which represents the majority of activity.

**Geographic Distribution of Loans:**

As FCNB's AAs contain only middle- or upper-income tracts, an analysis of the geographic distribution of the bank's lending activity would not be meaningful and was not performed.

**Responses to Complaints:**

Neither the bank nor our office has received any complaints about its CRA performance during the review period.

**Compliance with Antidiscrimination Laws:**

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