

PUBLIC DISCLOSURE

October 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank:

The Citizens Banking Company
043954500000
100 East Water Street
Sandusky, OH 44871-5016

Supervisory Agency:

Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

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.

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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 Banking Company prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of October 6, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated ? Satisfactory.? At its previous examination, October 23, 1995, the bank was rated ? Satisfactory.?

DESCRIPTION OF INSTITUTION

The Citizens Banking Company (? CBC?), the lead bank of First Citizens Banc Corporation, has its headquarters in Sandusky, Ohio and has been a part of the Sandusky community since 1884. First Citizens Banc Corporation is a multi-bank holding company which also owns an appraisal

firm and a data processing service provider. As of June 30, 1997, the assets of the bank and holding company were \$262,907,376 and \$317,909,000, respectively.

In addition to the main office in downtown Sandusky, CBC operates three other branches in Sandusky and one in Berlin Heights, Ohio. The bank also owns three free-standing ATMs located in the Sandusky Mall, the Ford Motor Company plant, and Firelands Community Hospital.

CBC offers the following loan products:

Residential real estate lending

- 1-4 family dwellings
- multi-family dwellings (5 or more units)
- industrial and commercial property
- farm and improved land
- interim residential and commercial construction
- Hometown Mortgage Program
- home equity loans

Small business and commercial lending

- term, single payment or demand loans secured and unsecured
- revolving credit loans for lease for equipment financing, working capital expansion or other approved purposes
- first mortgage loans for the purchase, refinance of properties and structures
- installment loans both secured and unsecured

Community development lending

- loans to cities, counties, other political subdivisions, school districts and other governmental units and agencies
- investments in the securities of cities, counties, other governmental units and agencies
- Downtown Sandusky Rehabilitation Program

Consumer Installment Lending

- home improvements loans
- debt consolidation loans
- collateral loans on a term or single payment
- other personal needs

DESCRIPTION OF ERIE AND OTTAWA COUNTY

CBC's assessment area includes all of Erie County and the following portion of Ottawa County: Bass Islands, Kelleys Island and the Catawba-Marble Peninsula Townships of Catawba Island and Danbury. This area is not part of any Metropolitan Statistical Area and includes 25 Block Numbering Areas (? BNAs?). Of these BNAs, two (8%) are moderate-income, nine (36%) are middle-income, and 14 (56%) are upper-income.¹ There are no low-income BNAs within the bank's assessment area.

¹Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income.

Moderate-income: Greater than 50% up to 80% of the median MSA family income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median MSA family income.

As of the 1990 census, the population of CBC's assessment area was 98,830 with 37,738 households and 27,494 families. The median household income was \$29,908 and the median family income was \$27,494. The U.S. Bureau of Census differentiates between household and family income by defining household income as that of all persons occupying a housing unit, whereas family income includes only the income of those persons living together and related by birth, marriage, or adoption. For purposes of the CRA analysis, family income is used.

Within the assessment area, there were 48,983 housing units of which 27,349 (55.8%) were owner-occupied; 10,402 (21.2%) were rentals; and 11,232 (22.9%) were vacant. The median housing value was \$65,310 and the median gross rent was \$361. The median age of housing stock was 46 years. The following table provides more detailed information regarding the housing stock within the assessment area:

Types of Units	#	%
Single units	32,784	66.9%
2- to 4-units	5,674	11.6%
5- or more units	4,870	9.9%
Mobile homes	5,073	10.4%
Other housing units	582	1.2%

SANDUSKY

The City of Sandusky's economic health has been hampered by a 14.4% loss of manufacturing jobs between 1980 and 1990 which has resulted in a population decline of 5% over the same time period. However, the city has experienced a long-term shift in employment patterns from an industrial base to the services sector where the city has experienced a 4.7% in job growth over the same time period. Manufacturing jobs, though, are historically viewed as those leading to a greater per capita income for households. The shift to more service oriented jobs may also account for the fact that the median household income decreased by 6.8% between 1980 and 1990.

Principal industries in the city of Sandusky include the following:

Employer	Principal Products	# of Employees
Routh Packing Company	Meat processing	311
Sandusky International	Centrifugal castings	275

Sandusky Plastics, Inc.	Thermoformed plastic containers	265
Stein, Inc.	Food processing equip.	212
Dixon Ticonderoga Co.	Crayons and toys	200
U.S. Tusbaki, Inc.	Chains and sprockets	180
Seal Master	Blacktop sealer	180
Sandusky Vinyl	Vinyl - auto and marine	165
G & C Foundry Co.	Gray and ductal iron castings	132

ERIE COUNTY

As of the 1990 census, Erie County's population was 76,779. Over the past ten years, Erie County's population has declined 3.5%. Portions of Erie County are thriving, though, despite the decrease in population. The northern portion of Erie County which falls on either side of the Route 2 corridor has experienced a high level of growth. Additionally, the county sits on the shore of Lake Erie and the communities along the lake benefit from an expanding tourist industry. In particular, Cedar Point Amusement Park has spawned the growth of retail and service enterprises which cater to tourists. As of 1994, the service sector employed 13,087 people followed by the manufacturing sector with 10,315 employees. Of the 2,091 businesses as of 1993, 1,955 had fewer than 50 employees. As of September 1997, the unemployment rate for Erie County was 3.7%.² However, the unemployment rate is affected significantly by the tourism industry. Major employers in Erie County are listed below:

Employer	# of Employees
Cedar Point	3,000 in season/300 year round
Delco Chassis Div. of General Motors	2,100
Ford Motor Company	1,700
Firelands Community Hospital	950
The Providence Corporation	760
County of Erie	750
Sandusky City Schools	650

OTTAWA COUNTY

²Ohio Labor Market Information, Ohio Bureau of Employment Services

As of 1990 census, Ottawa County's population was 40,029. Over the past ten years, Ottawa County's population has remained stable. Total employment in Ottawa County increased by thirty percent between 1981 and 1991. Designated as a labor surplus area by the U.S. Department of Labor for the period of 1990 to 1994, employers in the county can receive preference when bidding on federal procurement contracts. As of September 1997, the county's unemployment rate was also 3.7%. Although Ottawa County unemployment figures are slightly above state and national averages, a strong tourism industry also creates seasonal fluctuations in the local unemployment rate. The eight major private employers are as follows:

Employer	# of Employees
Davis-Besse Nuclear Power Station	900
Brush-Wellman	625
Silgan Plastics	400
U.S. Gypsum	350
Challenger Motor Freight	200
Magruder Hospital	120

The four major public employers in Ottawa County are as follows:

Employer	# of Employees
Ottawa County (full and part-time)	660
Benton/Carroll/Salem Schools	258
Port Clinton Schools	241
Genoa Schools	158

Leading industries in the area include rubber, plastic, primary metals, construction raw materials and glass manufacturing. Other major industries with a presence in the area are fabricated metals and other mineral resources for the building industry, food, machinery, textiles, printing, publishing, wood products and transportation equipment.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's CRA performance was analyzed using interagency examination procedures for small banks. The analysis includes the following criteria:

- ! loan-to-deposit ratio;

- ! lending activity inside and outside of the bank's assessment area;
- ! distribution of loans to borrowers of different income levels;
- ! distribution of loans to businesses and farms of different sizes;
- ! reasonableness of the geographic distribution of loans within the bank's assessment area;
- ! bank's response to written complaints regarding its performance in helping to meet the credit needs of the assessment area.

Loan-to-Deposit Ratio Analysis

The CBC's loan-to-deposit ratio is considered to exceed standards considering the bank's size, financial condition, credit needs of the assessment area, and the loan to deposit ratios of similarly situated and competitor banks. This ratio measures the net loans and leases of the bank compared to the total amount of deposits taken in from customers. Since the previous examination, the bank's average loan-to-deposit ratio was 82.83% using seven quarterly ratios from December 31, 1995 through June 30, 1997. Peer banks' loan-to-deposit ratios are consistently approximately 10% below CBC's. The peer bank ratio was calculated using the loan-to-deposit ratios of other financial institutions having assets between \$100 million and \$300 million, 3 or more banking offices and located in a non-metropolitan areas.

Lending Activity Inside and Outside of the Assessment Area

A sample of the bank's commercial, residential, motor vehicle, and other unsecured consumer loans was selected for review. Of the loans sampled, the distribution of loans made to entities from within the bank's assessment area was as follows:

- ! Commercial loans - 97%
- ! Residential mortgage loans - 89%
- ! Motor vehicle loans - 94%
- ! Other unsecured consumer loans - 94%

Based on the sample reviewed, it appears that the bank's lending efforts are heavily concentrated within its assessment-targeted area.

Geographic Distribution of Loans Within the Bank's Assessment Area

An analysis of the geographic distribution of loans by income level of census tracts revealed that, although the bank's lending is concentrated in the middle- and upper-income BNAs, CBC has a high level of lending in the two moderate-income BNAs which comprise only 8% of the bank's assessment area. The following table shows the distribution of the bank's loans by the income levels of the respective BNAs:

Loan Type	Moderate-	Middle-income	Upper-income
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	income tracts	tracts	tracts
Commercial	14%	37%	50%
Residential	11%	42%	47%
Motor Vehicle	13%	26%	62%
Other Unsecured	22%	43%	35%

Distribution of Loans to Borrowers and Businesses of Different Income and Sizes

The distribution of the bank's consumer loans by borrowers' incomes is heavily concentrated among low- and moderate-income borrowers. Residential mortgage loans are heavily concentrated among moderate- and middle-income borrowers with lending levels to low-income borrowers comparable to the population of the bank's assessment area. The following table shows the distribution of loans by borrower income and the percentage of families in each income category in the bank's assessment area.

	Low-income	Moderate-income	Middle-income	Upper-income
Residential	15%	23%	29%	33%
Motor Vehicle	26%	27%	19%	29%
Other Unsecured	40%	28%	20%	13%
<i>Population in assessment area</i>	13.7	16.1	21.3	48.8

The distribution of commercial loans was analyzed considering the gross revenues of the business. The Equal Credit Opportunity Act defines a small business or farm as one having gross annual revenues of less than \$1 million. The following table shows the distribution of business loans by number of loans and by dollar amount of the loans sampled.

	Loan Amount < = \$100,000	\$100,000 < Loan Amount < = \$250,000	\$250,000 < Loan Amount < = \$1,000,000	Total
% of Total Loans	63%	19%	19%	100%
% by # to Small Businesses	90%	100%	67%	88%
% of Total Amount of	19%	20%	62%	100%

Loans				
% by \$ to Small Businesses	85%	100%	61%	73%

As can be seen from this table, the majority of CBC's loans are made to small businesses. However, the bank is very active in making small loans to commercial enterprises of all sizes.

Bank's Response to any Written Community Reinvestment Act Complaints

No complaints relating to the bank's Community Reinvestment Act performance were received by the bank or by this Reserve Bank.

Services

Retail

CBC provides customers access to products and services through the branch delivery system and telephone banking services. The bank operates five offices and three free-standing ATMs. Two new offices, Sandusky and Berlin Heights, were acquired since the previous examination.

Since the previous evaluation, the bank has changed the name and maximum mortgage amount of the "Hometown Mortgage Program". This program, which is targeted to low- and moderate-income borrowers, provides a lower cost mortgage loan. In 1996, 34 loans totaling \$1,427,979 were extended under this program. Additionally, CBC has no minimum loan amount which is especially beneficial to low-and moderate-income individuals.

Community Development

CBC is active in providing community development services throughout its assessment area. The bank is very involved with schools and participating in educational seminars which provide information about financial services, credit, and budgeting. Additionally, the bank participated in "Application Night" sponsored by Firelands Habitat for Humanity, assisting low- and moderate-income residents in obtaining affordable housing.

The bank also participates in the following three programs offered by the City of Sandusky:

- ! *Exterior Paint Program* - This program is designed to assist low- and moderate-income homeowners over the age of 62 to paint their properties. The program provides a 0% loan with pay back deferred until the sale or transfer of the property.
- ! *Set Aside Rental Rehabilitation Loan Program* - This program is offered to landlords for the rehabilitation of properties found to be in violation of the city's Existing Structures Code. Eligibility and interest rates are determined by the incomes of the landlords and the tenants. Loans are made at a 0% interest rate with landlords required to obtain 50% matching

funds.

- ! *Rental Rehabilitation Loan Program* - This program provides loans of \$5,000 to \$12,000 with terms up to 15 years to bring properties up to the city's code and the State of Ohio Housing Rehabilitation Standards. Income eligibility is based on the incomes of the owner and the tenants. Preference is given to properties located in the city's designated Community Reinvestment Neighborhoods.

Qualified Investments

CBC's investment portfolio includes an investment in a general obligation bond for infrastructure improvements in an area of Sandusky formally targeted by the city for development. Also, the bank has made significant grants and contributions to organizations which promote affordable housing for low- and moderate-income individuals, provide assistance to low- and moderate-income residents, and promote economic development with a particular emphasis on small businesses. Recipients of the bank's assistance include but area not limited to the following:

- ! Bay Area Neighborhood Development Corporation (low- and moderate-income housing)
- ! Firelands Habitat for Humanity (low- and moderate-income housing)
- ! Greater Erie County Marketing Association (economic development)
- ! Volunteers of America (homeless shelters; low-income, transitional, and elderly housing)

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

During the examination, three isolated violations of Regulation B's general rule prohibiting discrimination were noted. Corrective action has been taken by the management of the bank to not only address the specific violation but also to prevent future recurrences of any discriminatory practices. This corrective action includes solicitation of new applications from affected applicants, the adoption of new loan policies, nondiscrimination training for all employees, and new procedures to help identify and address any potential discriminatory practices.

As a result of these violations, the bank's CRA rating was adjusted downward from ? Outstanding? to ? Satisfactory.?