



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 24, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Ionia County National Bank Of Ionia
Charter Number 14187**

**302 West Main Street
Ionia, MI 48846**

**Comptroller of the Currency
Detroit Field Office
Omni Officentre, Suite 411
26877 Northwestern Highway
Southfield, MI 48034**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- Ionia County National Bank (ICNB) has demonstrated a reasonable record of originating loans to individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area (AA). Additionally, the geographic distribution of loans is similar to the demographic composition of the bank's AA.
- Ionia County National Bank's loan-to-deposit ratio is favorable. This ratio has generally been higher than the bank's national peer group, which includes banks of similar size.
- A substantial majority of the bank's loans were made within its designated AA.

DESCRIPTION OF INSTITUTION

Ionia County National Bank is a full-service community bank headquartered in Ionia, Michigan. Ionia County National Bank is a wholly owned subsidiary of a one-bank holding company, ICNB Financial Corporation with assets of \$223 million. Ionia County National Bank has three wholly owned subsidiaries: ICNB Mortgage Company, LLC that was legally formed in Michigan on March 1, 2001; Accord Financial Services, Corp. that was legally formed on July 3, 1995 and conducts non-deposit investment product business; and ICNB Lending Services, Inc. that was legally formed on March 10, 2003.

Ionia County National Bank is an eight-branch, intrastate bank with branches in Belding, Ionia, Lowell, Sunfield, and Woodland. Ionia County National Bank also has its main office in Ionia, which does not include an automatic teller machine (ATM). Five of the eight branches operate drive-through service windows in Ionia, Belding, Lowell, and Woodland. There are also ATMs connected to four of the eight branches in Ionia, Belding, and Lowell. In addition, there are three stand-alone, non-deposit ATMs within the cities of Ionia and Lake Odessa and one stand-alone, deposit-taking ATM in Sunfield.

As of December 31, 2002, ICNB had total assets of \$222 million. Ionia County National Bank's loan portfolio represented 74.7 percent of total assets as of December 31, 2002 and Tier One capital was \$18.8 million. Ionia County National Bank's policy is to be sensitive and responsive to the changing financial services needs of the community. Ionia County National Bank's primary focus is residential mortgage lending and business lending. Consideration was given to ICNB's record of performance from the previous evaluation period of December 1, 1997 through March 27, 2003. The loan portfolio is summarized in Table 1.

Table 1		
ICNB Loan Portfolio as of December 31, 2002		
First Residential Mortgage Loans	\$43,191,691	26.20%
Commercial Loans	\$73,213,499	44.41%
Consumer Retail Loans	\$44,373,659	26.91%
Home Equity Credit Lines	\$4,097,068	2.48%
Total Loans Outstanding 12/31/02	\$164,875,917	100.00%

Data Source: Ionia County National Bank

As of the date of this evaluation, ICNB does not have any financial, legal, or other impediments restricting its capacity to serve the community. Ionia County National Bank was rated satisfactory during the last CRA evaluation, which was conducted on December 1, 1997.

DESCRIPTION OF ASSESSMENT AREA

Ionia County National Bank's AA consists of all of Ionia County and small adjacent portions of Barry, Kent, and Montcalm Counties. The AA consists primarily of small towns and rural communities. The AA is comprised of 25 geographies. Eighteen geographies are designated as middle-income and seven as upper-income. There are no moderate- or low-income geographies in the AA, and none are arbitrarily excluded. The AA meets the requirements of the regulation.

The Michigan state unemployment rate as of December 31, 2002 was 5.9 percent, similar to the unemployment rate for Ionia County. Major employers include the state prisons, auto-related manufacturing companies, school systems, and county and city government.

Several financial institutions and mortgage brokers provide competition in the AA. Currently there are three large commercial banks, five community banks, and four credit unions located within the AA. Other institutions and mortgage brokers not located in the bank's AA also provide home lending services.

Two community contacts were made during this evaluation. The community contacts included one government official and one local realtor. The community contacts concluded that the two main banks in the area, one of which was ICNB, were meeting the needs of the community. In the city of Ionia, the need is to retain retail business on the main street downtown. These retailers have difficulty operating profitably due to the stiff competition from Lansing and Grand Rapids, which are located very close. They also experienced temporary disruption of operations due to the recent main street construction. Ionia County National Bank has offered favorable terms to some of these retailers to assist through unprofitable times as well as the main street construction.

The 2002 HUD adjusted non-MSA median family income level is \$44,800. The MSA median income in Kent and Eaton Counties are \$61,300 and \$60,100, respectively. The weighted average of these median incomes is \$49,276. The average price of housing price in Ionia County based on November 2002 data was \$102,252.

Table 2		
Demographic data for ICNB's AA		
1990 Population Information		
Population (16 & older)	88,366	
Number of Families	30,750	
Percentage of Families by Income		
• Low Income Families	14.74%	
• Moderate Income Families	16.89%	
• Middle Income Families	23.39%	
• Upper Income Families	44.97%	
Unemployment	5.9%	
BNA Characteristics (<i>Based on HUD Median Family Income</i>)		
• Low (below 50% of median)	0	0.00%
• Moderate (50-80% of median)	0	0.00%
• Middle (80-120% of median)	18	72.00%
• Upper (over 120% of median)	7	28.00%
• NA	0	0.00%
Housing Information		
• Owner Occupied Units	31,356	74.10%
• Rental Occupied Units	8,095	19.13%
• Vacant Housing	2,862	6.76%

Data Source: 1990 U.S. Census data

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is favorable and demonstrates a willingness to provide financial services to the communities it serves. Ionia County National Bank exceeds the criteria for satisfactory performance. Ionia County National Bank's average quarterly loan-to-deposit ratio for the time period of December 1, 1997 through December 31, 2002 was 93.11 percent.

Based on a review of uniform bank performance report information going back to 1999, ICNB's peer group had a lower loan-to-deposit ratio than ICNB and fluctuated between the middle to upper seventieth percentile. Ionia County National Bank's peer group includes commercial banks in the United States with total assets between \$100 million to \$300 million, located in non-metropolitan areas and having three or more banking offices.

Lending in Assessment Area

A substantial majority of loans are in the bank's AA. This meets the standard for satisfactory performance. During the evaluation we sampled loans from each of the bank's primary loan types. The loans were originated during the time period of January 2000 through March 2003. Table 3 below indicates that 88 percent of the number of loans and 76 percent of the loan dollars sampled during our evaluation were within the bank's AA.

Loan Product	Number of Loans in Sample #	Dollar Value of Loans Sampled Inside AA \$	Dollar Value of Loans Sampled Outside AA \$	Loans in Assessment Area		Loans outside of Assessment Area	
				#	%	#	%
Consumer	40	717,700	691,800	30	75.00%	10	25.00%
First Residential Mortgage	75	5,307,580	1,253,650	69	92.00%	6	8.00%
Home Equity Lines	20	\$325,600	\$0	20	100.00%	0	0.00%
Commercial	30	7,728,125	2,445,078	27	90.00%	3	10.00%
Total Sample	165	14,079,005	4,390,528	146	88.48%	19	11.52%

Data Source: Random sample of loans from the bank's four primary loan portfolios.

The bank also makes Small Business Administration loans and participates in the USDA farm loan program that subsidizes interest on farm loans and provides loan guarantees.

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

The bank's lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the standard for satisfactory performance. Ionia County National Bank's primary product lines include consumer, residential real estate mortgages, home equity lines, and commercial loans. Residential real estate mortgages and commercial loans comprise the largest portion of the bank's loan portfolio. During the evaluation, random samples from the residential first mortgage and commercial loan portfolios were taken. The loans sampled were originated during the period of January 1, 2000 through March 21, 2003.

Borrower Income Level	Bank Residential Real Estate Lending Distribution by Number of Mortgage Loans to Mortgage Loans Originated			Percentage of Families in Each Income Category
	#	%	\$	%
Low	8	11.59%	\$345,000	14.74%
Moderate	16	23.19%	\$909,500	16.89%
Middle	24	34.78%	\$1,663,300	23.39%
Upper	21	30.44%	\$2,196,280	44.97%
Total	69	100.00%	\$5,114,080	100.00%

Data Source: Random Loan Sampling; 1990 US Census Data

The bank's distribution of residential real estate lending to borrowers of different income levels is good. Lending to low-income borrowers is slightly below the percentage of families in this category; however, the lending to moderate-income borrowers is higher than the percentage of families for this category.

Ionia County National Bank's percentage of lending to small businesses is reasonable compared to the percentage of small businesses within the bank's AA. A majority of the bank's commercial loans are made to businesses with revenues less than \$1 million. This is demonstrated in Table 5. The primary factor affecting the bank's lending to small businesses is competition within the AA.

Revenue Size of Businesses Sampled	Bank Distribution of Commercial Loans by Number of Loans Sampled	Percentage of Businesses in Each Revenue Category
Under \$1 million	70.00%	82.86%
\$1 million and above	30.00%	4.83%
Not Reported	0.00%	12.31%
Totals	100.00%	100.00%

Data Source: Commercial loans originated 3/1/02 through 3/21/03; 1990 US Census Data.

Geographic Distribution of Loans

A meaningful geographic distribution analysis based on demographics could not be performed, as there are no low- or moderate-income geographies in the AA. Regardless, ICNB's geographic distribution of loans reflects a reasonable dispersion throughout the AA. During the evaluation we sampled 146 loans that were made in the bank's AA and observed that overall, the bank lends throughout its AA.

Community Development Services and Investments

During our evaluation, we determined that the bank participates in many community support activities. The bank made donations totaling about \$6,000 in 2002 and 2001 that supported programs for low- and moderate-income individuals.

Bank employees and board members volunteered their time for Habitat for Humanity, the Downtown Development Authority, Catholic Social Services, and the Commission on Aging. These bodies provide services to community members typically from low- and moderate-income groups.

Ionia County National Bank personnel have developed a school-based program to educate children about banking. They also provide educational information to the community regarding banking, financial services, and personal finance. In addition, due to the increase in the Spanish-speaking population, the bank provided Spanish lessons to its tellers and other service personnel to facilitate service to this ethnic group.

Responses to Complaints

Ionia County National Bank has not received any complaints that affect the bank's Community Reinvestment Act rating.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided

that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

