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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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## **PUBLIC DISCLOSURE**

March 27, 2006

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Somerville National Bank**

*Charter Number 9859*

**Main & Church Streets  
Somerville, Ohio 45064**

**Office of the Comptroller of the Currency  
Central Ohio Field Office  
4555 Lake Forest Drive, Suite 610  
Cincinnati, Ohio 45242-3760**

**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 Somerville National Bank (SNB) has a **SATISFACTORY** record of meeting community credit needs.

- SNB is responsive to its community's credit needs as a majority of the loans in our sample were made within the bank's assessment area (AA). Ninety-five percent of the loans in our sample were inside the bank's AA.
- The distribution of loans reflects, given the demographics of the AA, an excellent penetration among borrowers of different income levels and businesses of different sizes. The analysis of loans in our sample demonstrates that SNB makes more than a reasonable level of their loans to low- and moderate-income borrowers.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The bank's current and 26-quarter average loan-to-deposit ratios are reasonable and commensurate with those demonstrated by local peer banks.

## **DESCRIPTION OF INSTITUTION**

SNB is an independent community bank located approximately 40 miles north of Cincinnati, Ohio, with the main office located in Somerville, Ohio. The bank's primary business focus is consumer lending (residential real estate and consumer loans) and commercial banking. It offers traditional products and services through a total of seven full service offices. The most recent office was opened on May 23, 2005 (Edinburgh, Indiana). The branch offices are located in Camden, Eaton (two offices), Oxford, and Hamilton in Ohio and Edinburgh in Indiana. The bank has drive-through facilities in Oxford, Hamilton, Edinburgh, and at both Eaton offices. They also maintain three automated teller machines (ATM) located at both Eaton offices and their Edinburgh office to provide 24-hour banking. Only one of the bank's branches (Edinburgh, Indiana) is located in a moderate-income census tract as of the 2000 U.S. Census Data, updated as of 2004, and the rest of the branches are in middle-income census tracts. Overall competition for loans and deposits within the bank's overall marketing area is strong, and comes primarily from several local community banks as well as branches of large regional financial 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 Community Reinvestment Act (CRA) examination completed in September 1999, and the current rating period extends from that date through December 31, 2005.

As of December 31, 2005, SNB reported total assets of \$129 million, Tier One Capital of \$12 million, with net loans representing approximately 75% of average assets. Loans for one-to-four family residential housing purposes represented about 47% of gross loans, business loans (commercial and commercial real estate) 17% of gross loans, with the remainder divided among

loans having agricultural or individual purposes. The table below depicts the bank's approximate loan mix as of December 31, 2005.

<b>Loan Mix as of December 31, 2005</b>		
<b>Loan Type</b>	<b>Dollar Volume (in 000's)</b>	<b>Percent of Gross Loans</b>
One-to-four Family Residential Real Estate Loans	\$45,549	47%
Business Loans - Commercial and Commercial Real Estate Loans	\$17,014	17%
Agricultural Loans; Loans secured by farmland	\$12,816	13%
Loans to Individuals	\$ 8,302	8%
All other loans	\$14,100	15%
<b>TOTAL GROSS LOANS</b>	<b>\$97,781</b>	<b>100%</b>

Source: December 31, 2005 Consolidated Report of Condition and Uniform Bank Performance Report.

## **DESCRIPTION OF ASSESSMENT AREAS:**

Due to the demographic changes resulting from the 2000 U.S. Census Data, the Metropolitan Statistical Areas (MSA) were updated in 2004. This caused changes in the bank's AAs from 2003 to 2004. The bank had two AAs for years 2003 and 2004, which included the entire counties of Butler and Preble in Ohio. In 2003, the Butler County AA was in the Hamilton-Middletown, OH MSA #3200 and the Preble County AA was in a non-MSA area. In 2004, the Butler County AA became part of the Cincinnati-Middletown, OH-KY-IN MSA #17140, and the Preble County AA became part of the Dayton, OH MSA #19380.

As of May 2005, the bank added three assessment areas (AAs) in Indiana for a total of five AAs, after opening a branch office near Indianapolis, Indiana. The two AAs in Ohio continue to include contiguous census tracts located in Butler and Preble counties. During this examination, we performed analyses of the Butler and Preble County AAs in Ohio only, due to an insufficient amount of data to conduct meaningful analyses of the Indiana AAs since the branch just opened in May 2005. The bank did not include any of the Indiana counties in their AA until the branch opened in mid-2005. Overall, the AAs meet the requirements of the regulation and do not arbitrarily exclude low-income or moderate-income geographies. See the following tables for more details on the bank's AAs for each time period.

<b>Summary of Bank's Assessment Areas</b>						
<b>County</b>	<b>MSA – 2000 U.S. Census Data, as of 2004/2005</b>	<b>MSA – 2000 U.S. Census Data, as of 2003</b>	<b>Was the county in the bank's AA in each of the following years?</b>			
			<b>2003</b>	<b>2004</b>	<b>2005</b>	
Butler, OH	17140	3200	Yes	Yes	Yes	
Preble, OH	19380	Non-MSA	Yes	Yes	Yes	
Union, IN	Non-MSA	Non-MSA	No	No	Yes*	
Wayne, IN	Non-MSA	Non-MSA	No	No	Yes*	
Bartholomew, IN	18020	Non-MSA	No	No	Yes*	
Johnson, IN	26900	3480	No	No	Yes*	
Marion, IN	26900	3480	No	No	Yes*	
Shelby, IN	26900	3480	No	No	Yes*	

\*Included in bank's AAs after opening a branch in Edinburgh, Indiana in May 2005.

**Butler County AA:**

The Butler County AA includes all of the census tracts in the county and is located in the Cincinnati-Middletown, OH-KY-IN MSA #17140 as of the 2000 U.S. Census Data, updated as of 2004/2005. Butler County has four low-income census tracts (5%), 21 moderate-income (29%), 31 middle-income (43%), 16 upper-income (22%), and one non-applicable income designation census tract (1%). The total population of Butler County is 332,807. The AA is made up of 88,555 families. Sixty-eight percent of the housing units in Butler County are owner-occupied. The median housing value for the county was \$117,403, with an average median age of 36 years for housing.

The median family income for the Butler County AA was \$54,771 compared to \$63,750 for the 2005 HUD (Department of Housing and Urban Development) estimated median family income for MSA #17140. Nine percent of the households in Butler County live below the poverty level.

The overall economic condition of the AA is relatively stable. Major industries in the AA include manufacturing, state/local government (including schools), wholesale trade, and retail trade. Major employers in the AA include AK Steel, Miami University, and Butler County government offices, including the local school systems. Competition in the AA is strong and comes from local community banks and many branches of large regional banks throughout the county.

The unemployment rate in Butler County as of December 2005, was 5.0%, which is lower than the State of Ohio average of 5.6%. SNB had approximately 2% of the market share of total deposits as of the June 30, 2005 FDIC market share report.

**Preble County AA:**

The Preble County AA includes all of the census tracts in the county and is located in the Dayton, OH MSA #19380 as of the 2000 U.S. Census Data, updated as of 2004/2005. All of the census tracts in Preble County are middle-income. The total population of Preble County is

42,337. The AA is made up of 12,120 families. Seventy-four percent of the housing units in Preble County are owner-occupied. The median housing value for the county was \$98,015, with an average median age of 44 years for housing. The median family income was \$51,271 for the Preble County AA compared to \$59,250 for the 2005 HUD estimated median family income for MSA #19380. Six percent of the households in Preble County live below the poverty level.

The overall economic condition of the AA is stable. Major industries in the AA include manufacturing, state/local government (including schools), and agriculture. Major employers in the AA include the Henny Penny Corporation, Parker-Hannifin, and Neaton Auto Parts, which are all located in Eaton, Ohio. Competition in the AA is strong and comes primarily from local community banks and branches of large regional financial institutions throughout the county.

The unemployment rate in Preble County, as of December 2005, was 5.5% , which is slightly lower than the State of Ohio average of 5.6%. SNB had approximately 13% of the market share of total deposits as of the June 30, 2005 FDIC market share report.

Our discussions with one community leader (via one community contact with a local realtor in Preble County) and bank personnel indicate that community credit needs are being adequately met. They identified the primary credit needs of the area as loans for residential real estate purposes.

See the tables below for the distribution of families among income categories and owner-occupied housing for both the Butler and Preble County AAs.

<b>DISTRIBUTION OF FAMILIES BY INCOME CATEGORIES (AS A PERCENTAGE OF MEDIAN FAMILY INCOME)</b>				
<b>2000 U.S Census Data</b>	<b>Low-Income Families</b>	<b>Moderate-Income Families</b>	<b>Middle-Income Families</b>	<b>Upper-Income Families</b>
<b>2003 Butler AA</b>	17%	20%	24%	39%
<b>2003 Preble AA</b>	13%	18%	26%	43%
<b>2004/05 Butler AA</b>	16%	19%	24%	41%
<b>2004/05 Preble AA</b>	18%	23%	27%	32%

Source: 2000 U.S. Census Data, updated as of 2003, 2004 and 2005.

<b>DISTRIBUTION OF OWNER-OCCUPIED HOUSING BY INCOME</b>				
<b>2000 U.S Census Data</b>	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>
<b>2003 Butler AA</b>	2%	17%	54%	27%
<b>2003 Preble AA</b>	0%	0%	100%	0%
<b>2004/05 Butler AA</b>	1%	18%	44%	37%
<b>2004/05 Preble AA</b>	0%	0%	100%	0%

Source: 2000 U.S. Census Data, updated as of 2003, 2004, and 2005.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The bank's performance in residential real estate (purchase and refinance) lending and commercial and commercial real estate lending is considered foremost in this CRA examination. These are the bank's primary loan products. The bank's lending performance is evaluated based on loans originated from January 1, 2003, through December 31, 2005. Our evaluation of performance also includes review of the bank's quarterly loan to deposit ratio since the prior CRA examination completed in September 1999 through December 31, 2005.

Loan samples were taken from loans originated between January 1, 2003 to December 31, 2003 (using the 2000 U. S. Census Data), and loans originated from January 1, 2004 to December 31, 2005 (using the 2000 U. S. Census Data, updated for 2004/2005). To evaluate lending within the AA, we took a random sample of 80 residential real estate loans (purchase and refinance) and 55 commercial and commercial real estate loans originated from January 1, 2003 to December 31, 2005. To evaluate the level of residential real estate lending, we took a random sample of 20 residential real estate loans (purchase and refinance) for both time periods and both AAs, for a total of 80 loans. To evaluate the level of commercial and commercial real estate lending, we took a random sample of 20 loans in both the Butler County AA and Preble County AA for years 2004-2005 and three loans in the Butler County AA and 11 in the Preble County AA for 2003. The commercial and commercial real estate sample was smaller for 2003 because it included all of the commercial and commercial real estate loans the bank made in that year per discussion with management. We used these residential real estate, commercial and commercial real estate files first to perform the analysis of Lending in the AA and then disregarded any of the loans not originated in the AA. Additional loans within the AA were added to the sample to utilize the 20-item sample per AA per each census year and update to perform the Borrower Distribution and Geographic Distribution analyses on loans.

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

SNB's loan-to-deposit (LTD) ratio is reasonable and meets the requirements for satisfactory performance. The average LTD ratio over the 26 quarters since the last CRA examination (September 30, 1999 to December 31, 2005) is 80.49%, with the current LTD ratio at December 31, 2005 of 84%. The bank's average quarterly LTD ratio ranged from a low of 70% at March 31, 2003, to a high of 89.35% at September 30, 1999. For analysis purposes, SNB's current and 26-quarter average LTD ratios were compared with a custom peer group consisting of banks of similar size and purpose (total assets less than \$250 million) in Butler and Preble Counties. The analysis showed that SNB's LTD ratios were slightly higher than the peer group average of 80.26%, as of December 31, 2005, for that peer group. In addition, SNB's LTD ratios were also compared to a peer group consisting of Ohio financial institutions with total assets less than \$250 million. This peer group's average LTD ratio, as of December 31, 2005, was 81.93%. Overall, SNB's LTD ratios are commensurate with peer.

### **Lending in the Assessment Area**

The bank's record of lending within their AA is reasonable and supports satisfactory performance. The bank's primary loan types consist of residential real estate loans (home purchase and refinance) and commercial and commercial real estate loans. We sampled eighty residential real estate loans and fifty-five commercial/commercial real estate loans. These loans were originated from January 1, 2003 to December 31, 2005. Table 1 details the bank's lending within the AA by number and dollar volume. This table demonstrates that a majority of the loans in our sample were made inside the bank's AA.

<b>Table 1 - Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Purchase & Refinance Loans	74	93%	6	7%	80	\$6,213	93%	\$437	7%	\$6,650
Commercial & Commercial Real Estate Loans	54	98%	1	2%	55	\$6,759	87%	\$1,000	13%	\$7,759
Totals	128	95%	7	5%	135	\$12,972	90.0%	\$1,437	10.0%	\$14,409

Source: Loan Sample.

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

- Lending to borrowers of different income levels and businesses of different sizes is excellent.

The distribution of residential real estate lending reflects excellent penetration among individuals of different incomes including low- and moderate-income borrowers and is reflective of overall outstanding performance for both the Butler and Preble County AAs. In addition, the bank's record of lending to businesses of different sizes is reasonable. The information below details the bank's performance in this area in relation to each applicable AA and data year analyzed.

#### ***2003 Lending Analysis for the Butler County AA, using the 2000 U. S. Census Data:***

The residential real estate loan sample analysis demonstrates that the bank makes a reasonable volume of its loans to low- and moderate-income borrowers. SNB made 20% of the number of loans in this loan sample to low-income borrowers, which is more than the 17% of low-income families in the AA. SNB made 15% of the number of loans in this sample to moderate-income borrowers, which is slightly less than the 20% of moderate-income families in the AA. SNB made 100% of the number of loans in our sample to businesses with gross revenues less than \$1 million, which is excellent when compared with the demographics of the AA.

Refer to Tables 2 and 3 below for specific details on loans made to low- and moderate-income borrowers and small businesses in 2003.

***2004 – 2005 Lending Analysis for the Butler County AA, using the 2000 U.S. Census Data, updated as of 2004:***

The residential real estate loan sample analysis for 2004/2005 demonstrates that the bank makes more than a reasonable volume of their loans to low- and moderate-income borrowers. SNB made 15% of the number of loans in this sample to low-income borrowers, which is commensurate with the 16% of low-income families in the AA. SNB made 40% of the number of loans in this sample to moderate-income borrowers, which is excellent when compared with the 19% of moderate-income families in the AA. SNB made 70% of the number of loans in our sample to businesses with gross revenues less than \$1 million, which is reasonable and compares favorably with the demographics of the AA.

Refer to Tables 2A and 3A for specific details on loans made to low- and moderate-income borrowers in 2004 - 2005.

***2003 Lending Analysis for the Preble County AA, using the 2000 U. S. Census Data:***

The residential real estate loan sample analysis demonstrates that the bank makes more than a reasonable volume of its loans to low- and moderate-income borrowers. SNB made 15% of the number of loans in this loan sample to low-income borrowers and 20% to moderate-income borrowers, which is very favorable when compared to the demographics of the AA. SNB also made 73% of the number of business loans in our sample to businesses with gross revenues less than \$1 million, which is more than reasonable when compared with the demographics of the AA of 71%. Overall, this analysis demonstrated very good performance in lending to low- and moderate-income borrowers and businesses with gross revenues less than one million.

Refer to Tables 4 and 5 below for specific details on loans made to low- and moderate-income borrowers and small businesses in 2003.

***2004 – 2005 Lending Analysis for the Preble County AA, using the 2000 U.S. Census Data, updated as of 2004:***

This residential real estate loan sample analysis for 2004/2005 demonstrates that the bank makes a more than a reasonable volume of their loans to low- and moderate-income borrowers. SNB made 25% of the number of loans in this sample to low-income borrowers and 30% to moderate-income borrowers, which is excellent when compared with to the demographics of the AA. SNB made 90% of the number of loans in our sample to businesses with gross revenues less than \$1 million, which compares very favorably with the demographics of the AA of 65%. Overall, this analysis demonstrates very good performance in lending to low- and moderate-income borrowers and businesses with gross revenues less than one million.

Refer to Tables 4A and 5A below for specific details on loans made to low- and moderate-

income borrowers in 2004 - 2005.

Overall, our sample represented an excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

<b>Table 2 – Borrower Distribution of Residential Real Estate Home Purchase and Refinance Loans in the Butler County AA 2003 Loan Sample</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	17%	20%	20%	15%	24%	25%	39%	40%

Source: Loan Sample; 2000 U.S. Census Data, as of year 2003.

<b>Table 2A - Borrower Distribution of Residential Real Estate Home Purchase and Refinance Loans in the Butler County AA 2004 – 2005 Loan Sample</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	16%	15%	19%	40%	24%	20%	41%	25%

Source: Loan Sample; 2000 U. S. Census Data, updated as of 2004/2005.

<b>Table 3 – Borrower Distribution of Loans to Businesses in the Butler County AA 2003 Loan Sample</b>				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	64%	7%	29%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan Sample; 2000 U.S. Census Data, as of year 2003.

<b>Table 3A – Borrower Distribution of Loans to Businesses in the Butler County AA 2004 – 2005 Loan Sample</b>				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1000,000	Unavailable/Unknown	Total
% of AA Businesses	61%	6%	33%	100%
% of Bank Loans in AA by #	70%	20%	10%	100%
% of Bank Loans in AA by \$	80%	18%	2%	100%

Source: Loan Sample; 2000 U.S. Census Data, updated as of 2004/2005.

<b>Table 4 – Borrower Distribution of Residential Real Estate Home Purchase and Refinance Loans in the Preble County AA 2003 Loan Sample</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	13%	15%	18%	20%	26%	35%	43%	30%

Source: Loan Sample; 2000 U.S. Census Data, as of year 2003.

<b>Table 4A - Borrower Distribution of Residential Real Estate Home Purchase and Refinance Loans in the Preble County AA 2004 – 2005 Loan Sample</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	18%	25%	23%	30%	27%	20%	32%	25%

Source: Loan Sample; 2000 U. S. Census Data, updated as of 2004/2005.

<b>Table 5 – Borrower Distribution of Loans to Businesses in the Preble County AA 2003 Loan Sample</b>				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71%	4%	25%	100%
% of Bank Loans in AA by #	73%	9%	18%	100%
% of Bank Loans in AA by \$	37%	42%	21%	100%

Source: Loan Sample; 2000 U.S. Census Data, as of year 2003.

<b>Table 5A – Borrower Distribution of Loans to Businesses in the Preble County AA 2004 – 2005 Loan Sample</b>				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1000,000	Unavailable/Unknown	Total
% of AA Businesses	65%	3%	32%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	66%	34%	0%	100%

Source: Loan Sample; 2000 U.S. Census Data, updated as of 2004/2005.

## **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs and supports an overall satisfactory conclusion in this area for both the Butler and Preble County AAs. Tables 6 and 7 represent our sample of the distribution of residential real estate loans and small business (commercial/commercial real estate) loans within the bank's Butler County AA and Preble County AA.

### ***Preble County AA***

During the two AA time periods, all of the census tracts in Preble County were middle-income. An analysis of the geographic distribution of the bank's lending activity would not be meaningful and was not performed since all the census tracts were middle-income.

### ***2003 Lending Analysis for the Butler County AA, using the 2000 U. S. Census Data:***

The geographic distribution of loans reflects reasonable dispersion throughout the AA for loans made in 2003. During this time period, the bank had seven geographies that were designated as low-income (10%) and nineteen designated as moderate-income (26%). Only 2% of the owner-occupied units in the AA were in low-income tracts and 17% in moderate-income tracts. The bank granted 5% of the residential real estate loans in our sample in low-income areas, which is more than the percentage of owner-occupied units in the AA. The bank granted 10% of the residential real estate loans in our sample in moderate-income areas, which is less than the percentage of owner-occupied units in the AA, but still considered reasonable. The bank granted 33% of the small business loans in our sample in moderate-income areas, which is more than the 22% of the businesses in moderate-income tracts. However, no loans in this sample were made in low-income census tracts. Per discussion with management, the bank only made three commercial/commercial real estate loans in 2003. Therefore, the limited activity of commercial/commercial real estate loans during this time period does not allow for meaningful conclusions and is provided little weight in the performance evaluation. Refer to tables 6 and 7 for separate details on the residential real estate refinance and small business loan samples.

### ***2004 - 2005 Lending Analysis for the Butler County AA, using the 2000 U.S. Census Data, updated for 2004:***

The geographic distribution of loans also reflects reasonable dispersion throughout the AA for loans made in 2004 – 2005. During this time period, the bank had four geographies that were designated as low-income (5%) and twenty-one designated as moderate-income (29%). Only 1% of the owner-occupied units in the AA were in low-income tracts and 18% in moderate-income tracts. The bank granted 5% of the residential real estate loans in our sample in moderate-income areas, which is less than the percentage of owner occupied units in the AA. The bank did not make any loans in this sample in low-income census tracts. The bank granted 40% of the small business (commercial/commercial real estate) loans in our sample in moderate-income areas, which exceeds the demographic of 25% of the businesses in moderate-income tracts. No commercial and commercial real estate loans in our sample were made in low-income census tracts in 2004-2005, compared to 3% of the businesses in the AA being in low-income tracts. Per bank management, the bank only originated eleven commercial and commercial real estate loans during this time period. Refer to table 6A and 7A for separate details on the

residential real estate refinance loans and small business loans.

Overall, this analysis reflects reasonable lending activity. The low representation of loans in low- and moderate-income tracts is affected by the following factors. The low- and moderate-income census tracts are located in the Hamilton, Middletown, and Oxford areas, and all of the bank's offices in Ohio are in middle-income census tracts. However, the bank's offices are within twenty miles of the low- and moderate-income areas per discussion with bank management. Although the bank has limited activity in the moderate-income census tracts, these tracts contain less than 22% to 24% of the counties' population for the time periods evaluated. In 2003 and 2004/2005, the percentage of low- and moderate-income households living in moderate-income census tracts, by tract category, totaled about 59% to 61% for each time period, respectively. The percentage of households below the poverty level living in low income census tracts was approximately 36% and 18% for those living in moderate-income census tracts for 2004/2005 (for 2003 it was 29% and 17%, respectively). In addition, only 17% to 18% of the housing units were owner-occupied in the moderate income census tracts, with approximately 43% rentals. In general, the combination of these situations may not allow for numerous home loan opportunities, as individuals may have difficulty meeting standard credit criteria. Overall, the bank exhibited a reasonable penetration in the moderate-income tracts. We found no evidence that the bank is excluding low- or moderate-income individuals or tracts.

<b>Table 6 - Geographic Distribution of Residential Real Estate Home Purchase and Refinance Loans in the Butler County AA 2003 Loan Sample</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans
Residential Real Estate Loans	2%	5%	17%	10%	54%	80%	27%	5%

Source: Loan Sample; 2000 U.S. Census data, as of year 2003.

<b>Table 6A - Geographic Distribution of Residential Real Estate Home Purchase and Refinance Loans in the Butler County AA 2004 – 2005 Loan Sample</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans
Residential Real Estate Loans	1%	0%	18%	5%	44%	80%	37%	15%

Source: Loan Sample; 1990 U.S. Census data, updated as of 2004/2005.

<b>Table 7 - Geographic Distribution of Loans to Businesses in the Butler County AA 2003 Loan Sample</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial and Commercial Real Estate Loans	8%	0%	22%	33%	Middle- Upper 70%	67%	Middle- Upper 70%	0%

*Source: Loan Sample; 2000 U.S. Census data, as of year 2003.*

<b>Table 7A – Geographic Distribution of Loans to Businesses in the Butler County AA 2004 - 2005 Loan Sample</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans						
Commercial and Commercial Real Estate Loans	3%	0%	25%	40%	39%	60%	31%	0%

*Source: Loan Sample; 2000 U.S. Census data, updated as of 2004/2005.*

### **Responses to Complaints**

SNB has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.

### **Fair Lending Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs.