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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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## **PUBLIC DISCLOSURE**

January 3, 2006

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

**1<sup>st</sup> National Bank  
Charter Number 8709**

**730 E. Main Street  
Lebanon, Ohio, 45036**

**Comptroller of the Currency**

**Central Ohio Field Office  
325 Cramer Creek Court, Suite 101  
Dublin, Ohio, 43017**

**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 **1<sup>st</sup> National Bank, Lebanon, Ohio** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **January 3, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** The 1<sup>st</sup> National Bank has a **SATISFACTORY** record of meeting community credit needs.

- 1<sup>st</sup> National Bank is responsive to its community's credit needs as a majority of the residential and commercial real estate loans originated between January 2003, and December 2005, were within the bank's assessment areas (AA).
- 1<sup>st</sup> National Bank has a good record of extending residential real estate credit to individuals of all income levels.
- The distribution of residential real estate and commercial real estate loans and the residential real estate HMDA data, show that the bank is willing to make loans to borrowers of different income levels and businesses of various sizes, respectively.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- 1<sup>st</sup> National Bank's current and 25-quarter average loan-to-deposit ratios are reasonable in comparison with the ratios of its peer banks. The bank's loan-to-deposit ratio, as of September 30, 2005, was 81%.

## DESCRIPTION OF INSTITUTION

1<sup>st</sup> National Bank is a \$92 million independent financial institution with its main office located in Lebanon, Ohio. 1<sup>st</sup> National Bank offers traditional retail and commercial banking products and services through its main office and twelve branch offices. The main office and eight branches are located in Warren County. The bank also has two branches in Hamilton County, one in Clermont County, and one in Butler County. The Middletown branch is located in Warren County near the edge of Butler County. This branch is located in a middle-income census tract and is surrounded by one moderate-, six middle-, and one upper-income census tracts. Six offices are located in middle-income census tracts, and seven are in upper-income census tracts. The majority of the low- and moderate-income census tracts are around the area of the Middletown branch. All of the offices except the five in-store locations have drive-up facilities. The bank owns and operates automatic teller machines (ATMs) at all of their offices. There are no offsite ATMs.

1<sup>st</sup> National Bank's primary business focus has been to serve the community through real estate lending, both residential and commercial. The bank offers a variety of lending products to accommodate borrowers within their AA. 1<sup>st</sup> National Bank reported gross loans of \$66.7 million on their September 30, 2005, Consolidated Report of Condition (Call Report). The percentage of net loans and leases to average assets at the same time period was 69.3%. The bank's loan portfolio mix is detailed below:

<b>Loan Mix as of September 30, 2005*</b>		
	<b>\$ (000s)</b>	<b>Percentage</b>
Commercial/Commercial Real estate	47,599	71%
Residential Real Estate	16,739	25%
Loans to Individuals	1,491	2%
Other Loans	1,030	2%
<b>Totals</b>	<b>66,859</b>	<b>100%</b>

*Source: September 30, 2005 Uniform Bank Performance Report \*Based on gross loans as of September 30, 2005*

No financial or legal impediments exist that affect the bank's ability to meet the credit needs of its community. 1<sup>st</sup> National Bank's prior CRA rating, as of December 15, 1999, was "Satisfactory Record of Meeting Community Credit Needs." The bank's lending performance for 2003 through 2005 was reviewed in detail for this CRA assessment.

## DESCRIPTION OF ASSESSMENT AREA

Currently, 1<sup>st</sup> National Bank has one AA. Due to demographic changes resulting from the 2000 census data, the number of AAs changed between 2003 and 2004. In 2003, the bank had two AAs in the Cincinnati, OH-KY-IN Metropolitan Statistical Area (MSA) #1640 and the Hamilton-Middletown MSA #3200. In 2004 the two MSAs were combined into the Cincinnati/Middletown MSA #17140, with the result of the bank having one AA. This AA

consists of four counties located in southwest Ohio, which are all included in the Cincinnati/Middletown MSA. The AA includes all of Warren County, parts of southeast and northeast Butler County, parts of northeast Hamilton County, and western Clermont County.

**2004-2005:**

In 2004-2005, the bank had one AA, which included census tracts in the Cincinnati-Middletown MSA. The bank’s AA consists of 35 census tracts in Butler County, nine census tracts in Clermont County, 17 census tracts in Hamilton County, and 32 census tracts in Warren County. The bank’s AA does not include the entire Cincinnati/Middletown MSA.

The table below summarizes the AA’s income composition by geography. As noted, one of the CTs did not have income level statistics and did not have an assigned income classification.

<b>2004-2005 Cincinnati/Middletown MSA Assessment Area Geography Income Composition</b>				
	<i>Low-Income</i>	<i>Moderate-Income</i>	<i>Middle-Income</i>	<i>Upper-Income</i>
<i>Butler County</i>	1	11	14	9
<i>Clermont County</i>	0	1	8	0
<i>Hamilton County</i>	0	0	10	7
<i>Warren County</i>	0	4	12	15
<b>Totals*</b>	<b>1</b>	<b>16</b>	<b>44</b>	<b>31</b>

*\*One census tract did not have statistics for income and thus did not have an assigned income classification.*

The Department of Housing and Urban Development (HUD) estimated the 2005 median family income for MSA 17140 to be \$63,750. The distribution of families among different income levels is as follows for the bank’s AA: 14% are low-, 17% are moderate-, 23% are middle-, and 46% are upper-income. Six percent of the households in the AA live below the poverty level.

As of the 2000 census, the total population in the bank’s Cincinnati/Middletown AA was 443,787. This AA is made up of 122,388 families. Seventy percent of the housing units in this AA are owner-occupied. The median housing value for the AA is \$138,716.

Based upon census data, businesses with annual gross revenues less than \$1 million account for 59% of all the business entities that reported sales volume in the four county assessment area. Thirty-three percent of the businesses did not report revenues.

The local economy is strong. The AA is mainly manufacturing with state/local government, and retail trade as the major industries. Major employers in the area include Proctor & Gamble, Cintas, Federated Department Stores, Luxottica Group, and Blackhawk Automotive Plastics. Competition in the AA is moderate and comes from two local financial institutions and numerous branches of larger financial institutions

The economy is strong due to the better than average unemployment rates. As of November 2005, the unemployment rates in each of the counties in the AA were: 5.1% for Butler, 5.1% for Clermont, 5.3% for Hamilton, and 4.3% for Warren. These compare favorably to the unemployment rate for the State of Ohio, which was 5.4% as of November 2005.

## **2003:**

In 2003, the bank had two separate AAs; one located in the Cincinnati, OH-KY-IN MSA #1640 and one in the Hamilton-Middletown MSA #3200, respectively.

### ***Cincinnati AA:***

The Cincinnati AA was located in the Cincinnati, OH-KY-IN MSA #1640. This AA included all of Warren County, the middle third of Clermont County, and the northeastern corner of Hamilton County. Of the 58 census tracts in the Cincinnati AA, nine were located in Clermont County, 17 in Hamilton County, and 32 in Warren County. The census tracts in MSA 1640 were characterized as follows: five moderate-income (8%), 30 middle-income (52%), and 22 upper-income (38%), as reflected in the below table. The income level for one census tract was not reported (2%).

<b>2003 Cincinnati MSA Assessment Area Geography Income Composition</b>				
	<b><i>Low-Income</i></b>	<b><i>Moderate-Income</i></b>	<b><i>Middle-Income</i></b>	<b><i>Upper-Income</i></b>
<b><i>Clermont County</i></b>	0	1	8	0
<b><i>Hamilton County</i></b>	0	0	10	7
<b><i>Warren County</i></b>	0	4	12	15
<b>Totals*</b>	<b>0</b>	<b>5</b>	<b>30</b>	<b>22</b>

*\*One census tract did not have statistics for income and thus did not have an assigned income rating.*

The Department of Housing and Urban Development (HUD) estimated the 2003 median family income for MSA 1640 to be \$64,000. The distribution of families among different income levels for the bank's Cincinnati AA is as follows: 12% are low-, 16% are moderate-, 23% are middle-, and 49% are upper-income. Five percent of the households in the AA live below the poverty level.

As of the 2000 Census, the total population in the bank's Cincinnati AA was 293,013. This AA is made up of 80,686 families. Seventy-two percent of the housing units in this AA are owner-occupied. The median housing value for the AA is \$150,315.

Based upon census data, businesses with annual gross revenues less than \$1 million account for 61% of all the business entities that reported sales volume in the three county AA. Thirty-one percent of the businesses did not report revenues.

### ***Hamilton/Middletown AA:***

The Hamilton-Middletown AA includes census tracts in the southeastern and northeastern sections of Butler County within the Hamilton-Middletown MSA #3200. This AA included 35 census tracts, which are all located in Butler County. The census tracts in the Hamilton-Middletown AA were characterized as follows: two low-income (6%), 11 moderate-income (31%), 15 middle-income (43%), and seven upper-income (20%).

<b>2003 Hamilton/Middletown MSA Assessment Area Geography Income Composition</b>				
	<i>Low-Income</i>	<i>Moderate-Income</i>	<i>Middle-Income</i>	<i>Upper-Income</i>
<i>Butler County</i>	2	11	15	7
<b>Totals*</b>	<b>2</b>	<b>11</b>	<b>15</b>	<b>7</b>

The Department of Housing and Urban Development (HUD) estimated the 2003 median family income for MSA 3200 to be \$64,500. The distribution of families among income levels is as follows for the bank's AA: 16% are low-, 20% are moderate-, 23% are middle-, and 41% are upper-income. Seven percent of the households in the AA live below the poverty level.

As of the 2000 Census, the total population in the bank's Cincinnati AA was 150,774. This AA is made up of 41,702 families. Sixty-six percent of the housing units in this AA are owner-occupied. The median housing value for the AA is \$117,834.

Based upon census data, businesses with annual gross revenues less than \$1 million account for 61% of all the business entities that reported sales volume in the four county assessment area. Thirty percent of the businesses did not report revenues.

The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

A discussion with a county official indicates that the community credit needs are being adequately met. The contact identified that local financial institutions are very involved in filling the credit needs of the community. The credit needs of the community continue to be affordable low- to moderate-income housing. The contact stated this need was being addressed satisfactorily.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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

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

**The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.**

1<sup>st</sup> National Bank's average loan-to-deposit ratio over the 25 quarters since the prior CRA examination was 77%. The bank's quarterly loan-to-deposit ratio ranged from a low of 66% at June 30, 2002, to a high of 84% at December 31, 2000. The average loan-to-deposit ratio for similarly situated banks in Ohio with total assets less than 100 million was 78% as of September 30, 2005 (national peer average was also 78%). The bank's present loan-to-deposit ratio of 81% at September 30, 2005, is above the peer average.

In 2005, the bank sold 40 loans totaling approximately \$6.6 million, which would further augment the loan-to-deposit ratios. These loans are not included in the current loan-to-deposit ratio.

## Lending In Assessment Area

### **The bank makes a majority of loans within its AAs.**

We evaluated the level of residential real estate lending within the AAs by reviewing all of the bank's residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) from January 2003, to December 2005. The residential real estate loans reviewed included home purchase, refinance, and home improvement loans. We randomly sampled twenty commercial and commercial real estate loans originated by the bank from January 2004, to December 2005. We also sampled all of the commercial and commercial real estate loans in the bank's portfolio (28) originated in 2003 for performance within the AAs. Nineteen of the 28 loans were inside the AAs - 17 were located in the Cincinnati AA and two were in the Hamilton/Middletown AA. Fifty-five percent of the number and 54% of the dollar volume of the loans in our samples were made within the bank's AAs. This represents a majority of lending within the AAs. See Table 1 for details.

Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	382	54%	320	46%	702	\$ 37,785	56%	\$ 29,313	44%	\$ 67,098
Business	33	69%	15	31%	48	\$ 5,049	41%	\$ 7,140	59%	\$ 12,189
Totals	415	55%	335	45%	750	\$ 42,834	54%	\$ 36,453	46%	\$ 79,287

*Source: 2003-2005 HMDA Data and Commercial Loan Sample*

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

**Based on the demographics of the AAs, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable. The analysis of residential real estate lending among individuals of different income levels reflects reasonable distribution among all income levels (including low- and moderate-income), given the demographics of the AAs. The analysis of the bank's record of lending to businesses of different sizes indicates a willingness to lend to small businesses.**

### **2004-2005 Cincinnati/Middletown AA:**

The distribution of residential real estate loans to low- and moderate-income families is consistent with the percentage of families in the same income categories in the AA and reflects reasonable penetration. The analysis exhibited in Table 2 reflects that lending to low-income borrowers for home purchase and refinance loans is less than the demographic but within a reasonable level. It should be noted that six percent of the AA households are below the poverty level. Lending to moderate-income borrowers for home purchase and refinance loans matches and exceeds, respectively, the demographic. Home improvement lending to low- and moderate-income borrowers is well in excess of the demographics.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans 2004-2005 Cincinnati/Middletown MSA (17140) AA</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
Home Purchase	14%	12%	17%	17%	23%	26%	46%	45%
Refinance		10%		23%		16%		51%
Home Improvement		33%		67%		0%		0%

Source: 2000 U.S. Census and 2004-2005 HMDA data.

The bank's lending to businesses of different sizes is reasonable compared to the AA business dispersion. The commercial and commercial real estate loan sample revealed that the bank made 80% of the number and 86% based on dollars to businesses with annual revenues of \$1 million or less as reflected in Table 2A. This is in excess of the 59% of businesses reporting revenues of less than \$1 million.

<b>Table 2A – 2004-2005 Borrower Distribution of Loans to Businesses in the Cincinnati/Middletown (17140) AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59%	8%	33%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	86%	14%	0%	100%

Source: 2004-2005 Commercial loan sample; Business Geodemographic Data.

The overall performance of the bank in lending to individuals of different income levels and businesses of different sizes within the Cincinnati/Middletown MSA AA is satisfactory.

### **2003 Cincinnati AA:**

The distribution of residential real estate loans to low- and moderate-income families is consistent with the percentage of families in the low- and moderate-income categories in the AA and reflects reasonable penetration. The analysis presented in Table 3 reflects that lending to low-income borrowers for home purchase loans exceeds the demographic and for refinance loans is near the demographic. Lending to moderate-income borrowers for home purchase loans is less than the demographic but reasonable and for refinance loans exceeds the demographic. The major products were refinance and home purchase. Very few loans made in this AA in 2003 were home improvement loans.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans 2003 Cincinnati MSA (1640) AA</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
Home Purchase	12%	17%	16%	8%	23%	42%	49%	33%
Refinance		10%		18%		16%		55%
Home Improvement		0%		50%		50%		0%

Source: 2000 U.S. Census and 2003 HMDA data. (\*One loan did not have income data)

The commercial and commercial real estate loan sample reveals that 76% of the number and 71% of the dollar value of loans in the 2003 Cincinnati AA were made to businesses with annual gross revenues less than \$1 million. This is in excess of the 60% of businesses reporting revenues of less than \$1 million, as reflected in Table 3A.

<b>Table 3A – Borrower Distribution of Loans to Businesses 2003 Cincinnati MSA (1640) AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	60%	9%	31%	100%
% of Bank Loans in AA by #	76%	24%	0%	100%
% of Bank Loans in AA by \$	71%	29%	0%	100%

Source: 2003 Commercial loan sample; 2003 Business Geodemographic Data.

The overall performance of the bank in lending to individuals of different income levels and businesses of different sizes within the Cincinnati MSA AA is satisfactory.

#### **2003 Hamilton/Middletown AA:**

The bank's lending to businesses of different sizes is more than reasonable. The commercial and commercial real estate sample reveals that 100% of the number and dollar amount of loans in the 2003 Hamilton-Middletown AA were made to businesses with annual gross revenues less than \$1 million as presented in Table 4A. This significantly exceeds the percentage of businesses with revenue less than \$1 million.

<b>Table 4A – Borrower Distribution of Loans to Businesses 2003 Hamilton/Middletown MSA (3200) AA</b>
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Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61%	9%	30%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: 2003 Commercial loan sample; 2003 Business Geodemographic Data.*

The total number of loans made in this AA (73) was far less than the amount made in the Cincinnati AA (207). This equates to 26% of the total loans made in 2003. Given this situation, conclusions for performance in this AA were provided lesser weight in the performance evaluation. In the Hamilton-Middletown AA in 2003, the bank's lending distribution to both low-income and moderate-income borrowers of home purchase, refinance and home improvement loans was poor and significantly below the level of low- and moderate-income families in the AA.

<b>Table 4 - Borrower Distribution of Residential Real Estate Loans 2003 Hamilton/Middletown MSA (3200) AA</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
Home Purchase	16%	0%	20%	0%	23%	100%	41%	0%
Refinance		2%		7%		25%		66%
Home Improvement		0%		0%		0%		0%

Source: 2000 U.S. Census and 2003 HMDA data.

The overall performance of lending to businesses of different sizes and borrowers of different income levels by the bank in this AA is satisfactory. The bank is doing an outstanding job in lending to businesses with revenue below \$1 million. The distribution of home lending to low- and moderate-income borrowers is significantly below the percent of families living in those census tracts. Of note, seven percent of the households in the AA are under the poverty level. Less weight was placed on this smaller and less significant AA..

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The geographic distribution of loans reflects lending in most census tracts, with a majority of the lending around the branch offices.

### **2004-2005 Cincinnati/Middletown AA:**

Table 5 represents the geographic distribution, based on income level of geography, of home purchase, refinance and home improvement loans reported under HMDA, which originated from January 2004, to December 2005. The bank's home loan lending in geographies of different income levels is reasonable. There is one low-income census tract in the 2004-2005 Cincinnati/Middletown AA and the percent of owner occupied housing in that tract is minimal (less than one percent) and the bank did not make any loans in this tract. Ten percent of the owner occupied housing was in moderate-income census tracts. The bank made 4% of its home

purchase loans and 2% of its refinance loans in moderate- census tracts. The analysis reflects that home purchase and refinance loans made to borrowers in moderate-income geographies are

lower than the percentage of the AA's owner-occupied housing in moderate-income geographies. No home improvement loans were made in low- or moderate-income geographies.

<b>Table 5 - Geographic Distribution of Residential Real Estate Loans 2004-2005 Cincinnati/Middletown MSA (17140) AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0%	0%	10%	4%	45%	35%	45%	61%
Refinance		0%		2%		51%		47%
Home Improvement		0%		0%		100%		0%

Source: 2000 U.S. Census and 2004-2005 HMDA data.

Table 5A represents the geographic distribution of commercial and commercial real estate loans in our sample. These loans originated from January 2004, to December 2005, and are listed by income level of the geography. The bank's lending to businesses in geographies of different income levels is weak. One percent of businesses located in this AA are in low-income geographies and 12% are in moderate-income geographies. None of the bank's loans in the commercial and commercial real estate loan sample were located in either low- or moderate-income geographies.

<b>Table 5A - Geographic Distribution of Loans to Businesses 2004-2005 Cincinnati/Middletown MSA (17140) AA</b>								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (10)		Upper (10)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	1%	0%	12%	0%	46%	50%	41%	50%

Source: 2000 U.S. Census and Loan Sample.

The overall performance in the 2004-2005 Cincinnati/Middletown AA in home and business lending to geographies of different income levels is satisfactory. The percent of home loans made in the moderate-income geographies is lower than the percent of owner-occupied housing in those same geographies. The table indicates that a great majority of the businesses in the AA are located in the middle-income and upper-income geographies.

### 2003 Cincinnati AA:

Table 6 represents the geographic distribution of residential real estate loans in the bank's 2003 HMDA report. These loans originated in the Cincinnati AA from January 2003, to December

2003, by income level of geography. The bank's home loan lending in geographies of different income levels is reasonable given the distribution of owner-occupied housing in the census tracts. There are no low-income census tracts in the 2003 Cincinnati AA. Six percent of the owner occupied housing were in moderate-income census tracts. The bank made 1% of their refinance loans in moderate-income census tracts. No home purchase or home improvement loans were made in the moderate income tracts. Discussions with management noted that a majority of housing in the low- to moderate-income tracts is rental and vacant; therefore, the demand for refinance and home purchase loans in those geographies is not high.

<b>Table 6 - Geographic Distribution of Residential Real Estate Loans 2003 Cincinnati MSA (1640 AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0%	0%	6%	0%	50%	50%	44%	50%
Refinance		0%		1%		38%		61%
Home Improvement		0%		0%		100%		0%

Source: 2000 U.S. Census and 2003 HMDA data.

Table 6A shows only 6% of the businesses in the AA were in moderate-income geographies. The bank did not make any loans to businesses in moderate-income geographies.

<b>Table 6A - Geographic Distribution of Loans to Businesses 2003 Cincinnati MSA (1640) AA</b>								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (7)		Upper (10)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	N/A	N/A	6%	0%	51%	41%	43%	59%

Source: 2000 U.S. Census and Loan Sample.

The overall performance in the 2003 Cincinnati AA is reasonable. The business loans are not weighed as heavily due to the low number of loans in the AA. Only 17 business loans were made inside the AA for 2003. The percentage of owner-occupied housing in moderate-income census tracts is also very low and it is difficult for the bank to make a large penetration in this area. According to bank management, loan demand is low and competition is strong.

### **2003 Hamilton/Middletown AA:**

Table 7 represents the geographic distribution of residential real estate loans reported in the bank's 2003 HMDA data. These loans were originated in the Hamilton/Middletown AA from

January 2003 to December 2003. Home loan penetration in moderate-income geographies is weak. There were two low-income census tracts in the 2003 Hamilton/Middletown AA. One percent of the owner occupied housing was located in the low-income census tracts. Nineteen percent of the owner occupied housing were in moderate-income census tracts. The bank made 3% of their residential home refinance home loans in moderate-income census tracts, which is significantly less than the demographic. No residential real estate loans were made in low-income geographies and no home purchase or home improvement loans were made in the moderate-income geographies.

<b>Table 7 - Geographic Distribution of Residential Real Estate Loans 2003 Hamilton/Middletown MSA (3200) AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	1%	0%	19%	0%	41%	0%	39%	2%
Refinance		0%		3%		24%		71%
Home Improvement		0%		0%		0%		0%

Source: 2000 U.S. Census and 2003 HMDA data.

Table 7A shows 3% of the AA businesses were in low-income geographies and 26% were in moderate-income geographies. Lending to businesses in different income geographies is poor. The bank did not make any loans to businesses in low- or moderate-income geographies. Of the 28 total commercial and commercial real estate loans the bank made in 2003 in this AA, only two were to businesses in the Hamilton/Middletown MSA AA. These businesses are located in middle-income geographies.

<b>Table 7A - Geographic Distribution of Loans to Businesses 2003 Hamilton/Middletown MSA (3200) AA</b>								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (2)		Upper (0)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	3%	0%	26%	0%	41%	100%	30%	0%

Source: 2000 U.S. Census and Loan Sample.

The overall performance in the 2003 Hamilton/Middletown AA is weak. The majority of the owner-occupied housing in 2003 was in the Cincinnati AA. Only two commercial and commercial real estate loans were made in the Hamilton/Middletown AA in 2003. The bank does not have a branch in the low-income or moderate-income geographies. Both of the bank's branches in Butler County are located in upper-income census tracts. According to bank management, there is also strong competition in these areas from other institutions providing rates that a smaller bank like 1<sup>st</sup> National cannot always match.

### **Responses to Complaints**

Neither the bank nor the OCC has not received any complaints from the public regarding the bank's performance in meeting the credit needs of the assessment areas since the previous CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

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