

PUBLIC DISCLOSURE

November 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**1st National Bank
Charter Number 8709**

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

Office of the Comptroller of the Currency

**Central Ohio Field Office
325 Cramer Creek Court, Suite 202
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 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 **1st National Bank, Lebanon, Ohio** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 15, 1999**. 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: This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

- 1st National Bank is responsive to its community's credit needs as a substantial majority of the residential and commercial real estate loans originated between January 1997 and October 1999 were within the bank's assessment areas (AA).
- 1st National Bank is extending residential real estate credit to individuals of all income levels.
- The distribution of our commercial real estate loan sample, by revenue level, shows that the bank is willing to make loans to various sizes of businesses.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- 1st National Bank's loan-to-deposit ratio is reasonable at 75% as of September 30, 1999, in comparison with the ratios of its peer banks.

DESCRIPTION OF INSTITUTION

1st National Bank is a \$62 million independent financial institution with its main office located in Lebanon, Ohio. 1st National Bank offers traditional retail and commercial banking products and services through its main office and seven branch offices. The main office and 2 branches are located in Warren County. The bank also has two branches in Hamilton County, one in Clermont County, and two in Butler County. One office is in a moderate-income census tract, four offices are in middle-income census tracts, and three are in upper-income census tracts. All of the offices have drive-up facilities. The bank owns and operates automatic teller machines (ATMs) at six of their offices. There are no offsite ATMs.

1st National Bank's primary business focus has been to serve the community through real estate lending, both residential and commercial. They offer a variety of lending products to accommodate borrowers within their AAs. 1st National Bank reported gross loans of \$39 million on their September 30, 1999 Consolidated Report of Condition (Call Report). The percentage of net loans and leases to average assets at the same time period was 63%. The bank's loan portfolio mix as of September 30, 1999, based upon dollar amounts, was 40% commercial real estate, 38% 1-4 family residential real estate, 12% construction and land development, 4% commercial, 3% loans to individuals, 2% agricultural loans, and 1% other loans.

No financial or legal impediments exist that affect the bank's ability to meet the credit needs of its community. 1st National Bank's prior CRA rating as of January 21, 1997 was "Satisfactory Record of Meeting Community Credit Needs." The bank's lending performance for 1997, 1998, and through October 1999 was reviewed in detail.

DESCRIPTION OF ASSESSMENT AREAS

1st National Bank has two AAs. The AAs are located in two different Metropolitan Statistical Areas (MSA). The Cincinnati AA is located in PMSA 1640 (Cincinnati, OH-KY-IN) and includes all of Warren County, the middle western half of Clermont County, and the northeastern corner of Hamilton County. The Hamilton-Middletown AA is located in MSA 3200 (Hamilton-Middletown, OH) and includes the eastern quarter side of Butler County. The AAs include 45 census tracts in PMSA 1640 and 25 census tracts in MSA 3200. Of the 45 census tracts in PMSA 1640, 10 are located in Clermont County, six in Hamilton County, and 29 in Warren County. Of the 25 census tracts in MSA 3200, all of them are located in Butler County. The census tracts in PMSA 1640 are characterized as follows: 4 moderate-income (9%), 28 middle-income (62%), 12 upper-income (27%), and the income level for one census tract is not applicable (2%). The census tracts in MSA 3200 are characterized as follows: 3 low-income (12%), 9 moderate-income (36%), 6 middle-income (24%), and 7 upper-income (28%). The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or

moderate-income geographies.

The Department of Housing and Urban Development (HUD) estimated the 1999 median family income for PMSA 1640 to be \$54,800 and \$55,100 for MSA 3200. The distribution of families among income levels is as follows for the Cincinnati AA: 14% are low-, 15% are moderate-, 23% are middle-, and 48% are upper-income. The distribution of families among income levels is as follows for Hamilton-Middletown AA: 20% are low-, 17% are moderate-, 22% are middle-, and 41% are upper-income.

As of the 1990 Census, the total population in the bank's Cincinnati AA was 223,346. This AA is made up of 62,294 families. Sixty-nine percent of the housing units in this AA are owner occupied. Five percent of the families in the AA live below the poverty level. The median housing value for this area is \$93,502.

As of the 1990 Census, the total population in the bank's Hamilton-Middletown AA was 80,523. This AA is made up of 22,858 families. Sixty-eight percent of the housing units in this AA are owner occupied. Eight percent of the families in the AA live below the poverty level. The median housing value for this area is \$76,125.

Based upon census data, businesses with annual gross revenues less than \$1 million account for 89% of all the business entities that reported sales volume in the Cincinnati AA and 92% in the Hamilton-Middletown AA. There were 1,479 and 510 businesses with "NA" listed for sales volume in the Cincinnati AA and Hamilton-Middletown AA, respectively.

The local economy is strong. Major employers in the area include Proctor & Gamble, Lebanon Correctional Institute, and the county offices. Competition in the AAs includes two local financial institutions and many branches of larger financial institutions. The unemployment rates are low in the following counties as of September 1999: 3.3% for Butler, 3.6% for Clermont, 3.8% for Hamilton, and 3.1% for Warren. The unemployment rate for the State of Ohio as of September 1999 was 4.4%.

Our discussion with a local realtor indicates that the community credit needs are being adequately met. The contact identified residential real estate lending as a primary credit need of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

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

1st National Bank's quarterly average loan-to-deposit ratio since the prior CRA examination was 78%.

Over the last 12 quarters, the loan-to-deposit ratio ranged from a low of 72% at June 30, 1999, to a high of 83% at March 31, 1997. The quarterly average loan-to-deposit ratio for similarly situated banks in the states of Ohio, Kentucky, and Indiana with total assets between \$50 to \$100 million, three or more banking offices, and in metropolitan areas was 78% as of

September 30, 1999 (national peer average was 72%). The bank's present loan-to-deposit ratio of 75% at September 30, 1999, compares reasonably with the peer average.

The bank began selling residential real estate loans in the secondary market in March 1996. The bank sold 41 loans totaling \$4,058,996 from January 1997 through September 1999.

Lending In Assessment Area

A substantial majority of the loans are made to borrowers within the bank's assessment areas.

We evaluated the level of residential real estate lending within the AAs by reviewing all of the bank's Home Mortgage Disclosure Act (HMDA) data from January 1997 to October 1999. That data included home purchase, refinance, and home improvement loans. We also randomly sampled twenty commercial real estate loans originated by the bank from January 1997 to October 1999. Ninety percent of the number and 94% of the dollar volume of the loans in our samples were made within the bank's AAs. This represents a substantial majority of lending within the AAs. See Table 1 for details.

Table 1				
Lending in the Assessment Areas				
	#	%	\$ (000)	%
Home Purchase	38	83%	\$3,266	87%
Refinance	71	91%	\$6,447	94%
Home Improvement	6	100%	\$158	100%
Commercial Real Estate	20	100%	\$4,287	100%
TOTAL	135	90%	\$14,158	94%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The analysis of borrower income levels of the residential real estate loan portfolio reflects, given the demographics of the assessment areas, reasonable distribution among all income levels (including low- and moderate-income). The analysis of business loans (commercial real estate loans) indicates a willingness to lend to small businesses.

The bank's primary business focus is real estate lending (residential and commercial).

Based on the demographics of the AAs, the bank’s lending to borrowers of different income levels is reasonable. The percentage of residential real estate loans to low- and moderate-income families is consistent with the percentage families in those same income categories in the bank’s AAs. The bank made 30% of the number of loans to low- and moderate-income families in the Cincinnati AA which is consistent with the 29% of the families in the AA that are categorized as low- and moderate-income. The bank made 67% of the number of loans to low- and moderate-income families in the Hamilton-Middletown AA which is more than the 37% of the families in the AA that are categorized as low- and moderate-income. Also 5% of the families in the Cincinnati AA and 8% in the Hamilton-Middletown AA live below the poverty level and 77% of the total census tracts in the bank’s AAs consist of middle- and upper-income geographies. See Tables 2 and 3 for details.

Table 2								
Distribution of Residential Real Estate Loans Among Individuals								
Cincinnati AA - PMSA 1640								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Home Purchase	9%	3%	22%	18%	44%	43%	25%	36%
Refinance	7%	3%	24%	20%	24%	20%	45%	57%
Home Improvement	-	-	17%	29%	50%	38%	33%	33%
TOTAL	7%	3%	23%	20%	32%	27%	38%	50%
% of Families in AA	14%		15%		23%		48%	

Table 3								
Distribution of Residential Real Estate Loans Among Individuals Hamilton-Middletown AA - MSA 3200								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Home Purchase	-	-	50%	41%	-	-	50%	59%
Refinance	-	-	100%	100%	-	-	-	-
Home Improvement	-	-	-	-	-	-	-	-
TOTAL	-	-	67%	50%	-	-	33%	50%
% of Families in AA	20%		17%		22%		41%	
The above sample includes only three loans originated by the bank in MSA 3200 from January 1997 to October 1999.								

The commercial real estate loan sample represents reasonable distribution among businesses of different sizes in the bank's AAs. Our sample reveals that 89% of the number of loans in the Cincinnati AA and 50% in the Hamilton-Middletown AA were made to businesses with annual gross revenues less than \$1,000,000. This is consistent with the demographics of the AAs. Based upon census data, 89% of the businesses in the Cincinnati AA and 92% in the Hamilton-Middletown, with reported sales volume, have annual gross revenues less than \$1,000,000. There were 1,479 businesses in PMSA 1640 and 510 in MSA 3200 with "NA" listed for sales volume. See Tables 4 and 5 for details.

Table 4				
Distribution of Commercial Real Estate Loan Sample Cincinnati AA -PMSA 1640				
Annual Gross Revenues	#	%	\$ (000)	%
Less than \$100,000	8	44%	\$1,329	34%
\$100,000 - \$250,000	4	22%	\$1,333	34%
\$250,000 - \$500,000	3	17%	\$389	10%
\$500,000 - \$1,000,000	1	6%	\$80	2%
Over \$1,000,000	2	11%	\$770	20%
TOTAL	18	100%	\$3,901	100%

Table 5				
Distribution of Commercial Real Estate Loan Sample				
Hamilton-Middletown AA - MSA 3200				
Annual Gross Revenues	#	%	\$ (000)	%
Less than \$100,000				
\$100,000 - \$250,000	1	50%	\$236	61%
\$250,000 - \$500,000				
\$500,000 - \$1,000,000				
Over \$1,000,000	1	50%	\$150	39%
TOTAL	2	100%	\$386	100%

Our analysis reflects that the bank is addressing the community's credit needs, as identified by the community contact, by making residential real estate loans.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

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

Tables 6 and 7 represent the distribution of residential real estate loans in our sample, originated from January 1997 to October 1999, by type of geography. There are no low-income census tracts in the Cincinnati AA. Eighty-nine percent of the census tracts in the Cincinnati AA and 52% in the Hamilton-Middletown AA are middle and upper income. The bank made a majority of their residential real estate loans to individuals located in middle and upper income geographies in the Cincinnati AA (93% of the number of loans). There were only three residential real estate loans in our Hamilton-Middletown sample. Two loans were made in moderate-income geographies and one was made in an upper-income geography. By number of loans for the Hamilton-Middletown AA, more loans were made in moderate-income geographies than middle- and upper-income.

Only 5% of the owner-occupied units in the Cincinnati AA are in moderate-income geographies, therefore 95% are in middle- and upper-income geographies. The bank made 93% of the number of residential real estate loans to individuals located in middle- and upper-income geographies. This is consistent with the demographics of the area.

Twenty-nine percent of the owner-occupied units in the Hamilton-Middletown AA are in low- and moderate-income geographies. The bank made 67% of the number of loans to individuals located in low- and moderate-income geographies. However, the sample only included three loans in this AA.

Table 6						
Geographic Distribution of Residential Real Estate Loans in the AA						
Cincinnati AA - PMSA 1640						
	Moderate-Income (4)		Middle-Income (28)		Upper-Income (12)	
Type of Loan	#	\$	#	\$	#	\$
Home Purchase	11%	12%	83%	84%	6%	4%
Refinance	6%	6%	87%	89%	7%	5%
Home Improvement			100%	100%		
TOTAL	7%	8%	87%	88%	6%	4%
% total owner-occupied units by tract income category	5%		59%		36%	

Table 7								
Geographic Distribution of Residential Real Estate Loans in the AA								
Hamilton-Middletown AA - MSA 3200								
	Low-Income (3)		Moderate-Income (9)		Middle-Income (6)		Upper-Income (7)	
Type of Loan	#	\$	#	\$	#	\$	#	\$
Home Purchase	-	-	50%	41%	-	-	50%	59%
Refinance	-	-	100%	100%	-	-	-	-
Home Improvement	-	-	-	-	-	-	-	-
TOTAL	-	-	67%	50%	-	-	33%	50%
% total owner-occupied units by tract income category	5%		24%		22%		49%	

The above sample includes only three loans originated by the bank in MSA 3200 from January 1997 to October 1999.

Tables 8 and 9 represent the distribution of commercial real estate loans in our sample, originated from January 1997 to October 1999, by type of geography. There are no low-income census tracts in the Cincinnati AA. Only 6% of the businesses located in this AA are in moderate-income geographies. The bank made 11% of the number of commercial real estate loans in our sample to businesses in moderate-income geographies. Thirty percent of the businesses in the Hamilton-Middletown AA are located in low- and moderate-income geographies. Our sample did not include any commercial real estate loans made in the low- and moderate-income geographies. This low representation of commercial real estate loans in low- and moderate-income geographies in the Hamilton-Middletown

AA is not a concern, given that our sample only included two loans originated in this AA.

Table 8			
Geographic Distribution of Commercial Real Estate Loans in the AA			
Cincinnati AA - PMSA 1640			
Geography	#	\$	% of Total businesses in each tract
Moderate-Income (4)	11%	8%	6%
Middle-Income (28)	72%	81%	59%
Upper-Income (12)	17%	11%	35%

Table 9			
Geographic Distribution of Commercial Real Estate Loans in the AA			
Hamilton-Middletown AA - MSA 3200			
Geography	#	\$	% of Total businesses in each tract
Low-Income (3)	-	-	8%
Moderate-Income (9)	-	-	22%
Middle-Income (6)	50%	61%	29%
Upper-Income (7)	50%	39%	41%
The above sample includes two loans originated by the bank in MSA 3200.			

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the assessment areas since our previous CRA examination.

Other Considerations

Our fair lending sample included a review of residential real estate loans made in 1999. We reviewed twenty-nine loans to married and unmarried applicants and compared the loan terms on each loan. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.