



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 25, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sycamore National Bank
Charter Number 22469**

**3209 W. Galbraith Road
Cincinnati, Ohio 45239**

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

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.

GENERAL INFORMATION

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

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

- The bank has achieved a reasonable distribution level of commercial/commercial real estate, Home Equity Line of Credit (HELOC), and consumer loans to borrowers of different income levels and businesses of different sizes.
- SNB is responsive to its community's credit needs as a majority of the loans are inside the bank's assessment area (AA).
- The bank's current and 16-quarter average loan-to-deposit (LTD) ratios are reasonable and commensurate with those demonstrated by local peer banks.

DESCRIPTION OF INSTITUTION

Sycamore National Bank (SNB) is a \$44 million independent community bank located in Cincinnati, Ohio on the west side of Hamilton County. Hamilton County is located in the southwestern corner of Ohio. The main office is located in the Cincinnati community of Grosbeck in Colerain Township, a middle-income geography. The bank has one branch office located in the Cincinnati community of Mack in Green Township, an upper-income geography. The branch is located approximately 10 miles southwest of the main office. The bank offices are approximately 15 miles from downtown Cincinnati. A substantial majority of the low- and moderate-income census tracts in the county are located near the downtown Cincinnati area. Both offices have drive-up facilities and ATM teller machines. Competition for loans and deposits is strong and comes primarily from several community and large banks in the surrounding cities. SNB is not part of a bank holding company.

Currently, no legal or economic impediments exist that could restrict the institution's ability to serve the community's credit needs. SNB's CRA rating as of April 1, 1999, was "Satisfactory Record of Meeting Community Credit Needs."

The bank's primary business focus is lending to small businesses and consumer lending. SNB participates in indirect commercial leasing, auto, and HELOC lending. The bank has contracts with over 100 used car dealerships for indirect lending purposes. The bank also uses mortgage brokers for HELOC lending. The substantial majority of the loans come from indirect dealers from all over the county. The bank does not actively solicit business from the entire county, but relies on their established dealer network to get loans from the entire AA. A majority of the "walk-in" business comes from the bank's market area, which is approximately a 2 to 3 mile

radius around the bank’s offices. SNB offers standard products and services through its two full service offices in Hamilton County. The bank offers a variety of lending products (commercial and retail) to accommodate borrowers within its AA. Net loans represent 80% the bank’s total assets as of December 31, 2002. Commercial loans represent the largest portion of the bank’s loan portfolio. The bank also makes a significant volume of Home Equity Lines of Credit (HELOC) loans and used car loans. The bank refers first mortgage purchase-money and refinance loan customers to mortgage brokers. From 2001 – 2002, sixty-two loans totaling \$8,095,362 closed after being referred by SNB to mortgage brokers. The bank no longer originates first mortgage residential real estate loans for their loan portfolio.

SNB reported total assets of \$44 million and gross loans of \$36 million as of the December 31, 2002 Consolidated Report of Condition (Call Report). Commercial/commercial real estate loans represented 37% of gross loans, HELOCs represented 26% of gross loans, and consumer loans represented 19% of gross loans, with the remainder in one-to-four family residential housing loans and other loans (18%). The table below shows the bank’s total loan mix as of December 31, 2002.

Loan Portfolio Mix As of December 31, 2002		
Loan Type	Dollar Volume (in 000’s)	Percentage of Gross Loans
Commercial and Commercial Real Estate Loans	\$13,237	37%
HELOC secured by 1 – 4 family residential properties	\$9,453	26%
Consumer – Loans to Individuals	\$6,772	19%
Closed-end loans secured by 1 – 4 family residential properties – junior liens	\$3,410	9%
Closed-end loans secured by 1 – 4 family residential properties – first liens	\$1,625	5%
Other Loans	\$1,340	4%
TOTAL GROSS LOANS	\$35,837	100%

Source: December 31, 2002 Consolidated Report of Condition and Uniform Bank Performance Report.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s AA consists of all of Hamilton County, Ohio, which is located in one of the twelve counties that comprise the Cincinnati, OH-KY-IN Metropolitan Statistical Area (MSA #1640). Management selected this AA based on the bank’s desired lending territory. The AA meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. Due to the philosophy of the bank’s lending practices, the bank’s “market area” consists of a 2 to 3 mile radius around the bank’s offices. However, the bank

delineated the entire county as their AA since they use indirect dealers from all over the entire county. They rely on their established dealer network to service the lending needs in the AA.

The table below describes the demographic configuration of the AA, based upon the 1990 U. S. Census Data.

Census Tract Demographic Data (1990)					
	Number of Tracts by Type	Percentage of Tracts by Type	Percentage of Families, by income level, in Tract Category	Percentage of Owner Occupied Units in Tract Category	Percentage of Businesses in Tract Category
Low	35	16%	21%	11%	9%
Moderate	41	19%	17%	17%	12%
Middle	82	38%	22%	43%	42%
Upper	58	27%	40%	29%	37%
Not Applicable	1	<1%	<1%	<1%	<1%
Total	217	100%	100%	100%	100%

Source: 1990 U.S. Census Data.

Based on the 1990 census, SNB's AA contains a population of approximately 866,228 people of which 13% are below the poverty level and 8% are on public assistance. Of the AA's 361,421 housing units, about 54% are owner-occupied. The median housing value is \$75,171 and the median rent is \$358. According to the 2000 census data, the median housing value is \$118,701 and the median rent is \$497.

According to the 1990 census information, the MSA median family income is \$36,658. The Department of Housing and Urban Development's (HUD) estimate of the MSA median family income was \$64,300 for 2002 and \$60,500 for 2001. The economic status of families and census tract geographies are categorized as low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an individual income or a geography that is less than 50% of the MSA median family income or HUD's estimate for that year. Moderate-income means an individual income or a geography that is at least 50% and less than 80% of the MSA median family income or HUD's estimate for that year. Middle-income means an individual income or a geography that is at least 80% and less than 120% of the MSA median family income or HUD's estimate for that year. Upper-income means an individual income or a geography that is 120% or more than the MSA median family income or HUD's estimate for that year.

The bank's AA has a diverse economy and is considered stable. Economic conditions are good and growth is steady. The economic industries with the highest employment are services, trade, and manufacturing. Major employers in the county include General Electric Company, Procter & Gamble Company, University of Cincinnati, Kroger Company, and state, county, and city governments. The bank's AA is largely suburban in nature and dominated by residential, retail, and commercial development. More than 50 financial institutions serve the bank's AA. These

institutions include small community banks as well as larger banks owned by multi-bank holding companies. Competition within the AA is very strong.

The unemployment rate for Hamilton County was 4.0% and 5.6% as of December 2002 and June 2003, respectively, which compares favorably to state and national unemployment rates of 5.0% and 5.7% and 6.5% and 6.5%, respectively. These statistics are estimates prepared in cooperation with the Bureau of Labor Statistics, U. S. Department of Labor.

According to the Federal Deposit Insurance Corporation's database, SNB had only approximately 0.14% of Hamilton County's market share of total deposits as of June 30, 2002. Competition in Hamilton County is very strong and the bank only has a small portion of the deposit market share in the county.

During our examination we contacted one community representative to discuss current economic conditions and credit needs of the area. This contact only deals with small business development and did not want to comment on other types of credit needs in the AA. The contact revealed that the economic condition of Hamilton County is stable, and identified loans to small businesses as a primary credit need in Hamilton County. According to the contact, loans to small businesses are available from area financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's performance of commercial/commercial real estate, HELOC, and consumer lending is considered foremost in this CRA examination. These are the bank's primary lending products.

To evaluate the level of commercial/commercial real estate, HELOC, and consumer lending, we took a random sample of 20 loans from each primary loan type from the bank's loan system. These loans were originated between January 1, 1999 and December 31, 2002. We used these 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 to perform the Geographic and Borrower Distribution analyses.

Loan-to-Deposit Ratio

The bank's LTD ratio is good and supports satisfactory performance. SNB's LTD ratio of 88.80% as of December 31, 2002, and average LTD ratio over the last 16 quarters since the last CRA examination (March 30, 1999 to June 30, 2003) of 85.14% are reasonable and meet the requirements for satisfactory performance. For analysis purposes, SNB's current and 16-quarter average LTD ratios were compared with a custom peer group consisting of nine banks of similar size (less than \$100 million in total assets) competing within the same AA (Hamilton County). The analysis shows that SNB's LTD ratios were within the peer group's current range of 60% to 128% and slightly below the average range of 91% as of December 31, 2002. SNB's LTD ratio was also compared to a peer group consisting of Ohio financial institutions with total assets less than \$100 million. This peer group's average LTD ratio as of December 31, 2002 was 73%. Overall, the bank's LTD ratios are commensurate with the peer group's ratios.

Lending in the Assessment Area

The bank's record of lending within the AA is reasonable and supports satisfactory performance. The bank's primary loan types consist of commercial/commercial real estate, HELOC, and consumer loans. We sampled twenty loans from each of the primary loan types. These loans were originated since the last CRA examination conducted in 1999 through December 31, 2002. The following table details the bank's lending within the AA by number and dollar volume. This table indicates that a majority of the loans are made inside the bank's AA. Many loans are made outside the AA because of the bank's style of business involving indirect dealers and the location of the bank's offices near the county line.

LENDING IN THE ASSESSMENT AREA										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Commercial/ Commercial Real Estate	14	70%	6	30%	20	1,917	69%	879	31%	2,796
HELOC	11	55%	9	45%	20	477	65%	260	35%	737
Consumer – Used Auto	10	50%	10	50%	20	86	46%	102	54%	188
Totals	35	58%	25	42%	60	2,480	67%	1,241	33%	3,721

Source: Loan sample.

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

The distribution of lending to small businesses reflects reasonable penetration among businesses of different sizes. The distribution of HELOC and consumer lending also reflects reasonable penetration among individuals of different incomes including low- and moderate-income borrowers. These distributions support the overall satisfactory conclusion in this area.

The majority of commercial/commercial real estate loans were originated to small businesses with annual gross revenues less than \$1 million. The following tables detail the distribution by annual gross revenues and loan size. SNB granted 75% by number and 66% by amount of loans in our sample to small businesses with gross revenues less than \$1 million. This compares reasonably with the demographics of the AA. SNB also granted 70% by number of loans to businesses requesting loan amounts less than \$100,000. Our sample represented a good responsiveness to lending to small businesses.

SNB granted 15% by number and 11% by amount of HELOC loans in our sample to low-income borrowers, which is less than the 21% of low-income families in the AA. SNB granted 10% by number and 6% by amount of HELOC loans in our sample to moderate-income borrowers, which is less than the 17% of moderate-income families in the AA. Lending based on number and dollar amount was less than the percentage of low- and moderate-income families in the AA, but is overall considered to be reasonable given the bank's loan policy and philosophy. Owner

occupancy in the low- and moderate-income census tracts is low at 11% and 17% respectively. The bank offers HELOC loans up to a loan-to-value of 90%; with an approved exception they may go up to 95%. All borrowers must meet the bank's loan policy guidelines for HELOC loans. Also according to the 2000 census data, the median housing value is \$118,701 and the median rent is \$497.

The tables below demonstrate that the bank makes a reasonable volume of consumer loans to low- and moderate-income borrowers. SNB granted 25% by number and 21% by amount of consumer loans in our sample to low-income borrowers, which is in line with the 26% of low-income households in the AA. SNB granted 35% by number and amount of consumer loans in our sample to moderate-income borrowers. This is substantially more than the 16% of moderate-income households in the AA. The distribution of consumer loans shows good penetration to low- and moderate-income borrowers.

Based upon the above factors, the penetration to low- and moderate-income borrowers and businesses of different sizes is reasonable, given the demographics of the AA.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN AA BY REVENUE RANGE				
Business Revenues (or Sales)	Less than \$1,000,000	Greater than \$1,000,000	Unavailable/ Unknown	Total
% of AA Business	79%	9%	12%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	66%	34%	0	100%

Source: Loan Sample; 1990 U.S. Census Data

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES BY LOAN SIZE IN AA				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	14	70%	\$501,064	24%
\$100,000 - \$250,000	4	20%	\$750,000	37%
Greater than \$250,000	2	10%	\$798,000	39%

Source: Loan Sample; 1990 U.S. Census Data

BORROWER INCOME LEVEL	PERCENTAGE OF HELOC LOANS IN AA				PERCENTAGE OF FAMILIES IN AA
	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume	

Low	3	15%	\$95,000	11%	21%
Moderate	2	10%	\$55,700	6%	17%
Middle	3	15%	\$107,000	12%	22%
Upper	12	60%	\$651,700	71%	40%

Source: 1990 U.S. Census Data

BORROWER INCOME LEVEL	PERCENTAGE OF CONSUMER LOANS IN AA				PERCENTAGE OF HOUSEHOLDS IN AA
	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume	
Low	5	25%	\$36,803	21%	26%
Moderate	7	35%	\$62,204	35%	16%
Middle	4	20%	\$38,303	21%	18%
Upper	4	20%	\$40,409	23%	40%

Source: 1990 U.S. Census Data

Geographic Distribution of Loans

The bank's distribution of loans throughout geographies of different income levels, including low- and moderate-income areas, is reasonable and meets the standards for overall satisfactory performance.

Management provided a list of all loans outstanding as of June 30, 2003 by zip code analysis. We compared the zip codes to the census tract geographies to identify the low-income areas. Twenty-seven loans totaling \$876,216 were made in low-income census tracts since the last CRA examination. This indicates that the bank is making loans in low-income areas, even though our sample did not reveal this. See the table below for further details.

SNB is a small business lender. No loans in our sample were made in low-income census tracts; however, management provided a list of loans that they have made in low-income census tracts. Twenty-five percent of the number of commercial loans we reviewed were made in moderate-income areas. This compares favorably to the 12% of businesses in the AA that are in moderate-income tracts.

Eleven percent of the owner occupied units in the AA are in low-income tracts and 17% are in moderate-income tracts. No loans in our sample were made in low-income census tracts; however, management provided a list of loans that they have made in these census tracts. The bank granted 5% by number and 3% by amount of HELOC loans in moderate-income areas, which is less than the percentage of owner occupied units in the AA. All borrowers must meet the bank's loan policy guidelines for HELOC loans. The bank does not make HELOC loans with LTVs over 90% without an exception and does not exceed 95% LTV. According to the 2000 census data, the median housing value is \$118,701 and the median rent is \$497.

Ten percent of the households in the AA are in low-income tracts and 17% are in moderate-income tracts. No loans in our sample were made in low-income census tracts; however,

management provided a list of loans that they have made in these census tracts. The bank granted 20% by number and 18% by amount of consumer loans in our sample in moderate-income areas. This compares favorably to the 17% of the households in moderate-income tracts.

We considered the above facts in our analysis, and determined that it does not negatively impact the rating because of the bank’s location in the county (west side of Hamilton County), distance to the low-income census tracts, marketing philosophy discussed earlier in this report, and the list of loans provided by management that indicates lending in low-income areas. Also the bank’s lending to low- and moderate-income borrowers is reasonable. The bank exhibited a reasonable penetration in the moderate-income tracts. There is no evidence that the bank is excluding low- or moderate-income individuals or geographies. SNB participates in indirect commercial leasing, indirect auto, and indirect HELOC lending. The bank has contracts with over 100 used car dealerships for indirect lending purposes. The bank has one auto dealership in a low-income census tract that they use. There are also several “buy here, pay here” dealers in the low-income census tracts. The bank uses mortgage brokers for HELOC lending. Management stated that loans come from all over the AA.

Overall, the analysis reflects reasonable lending activity throughout the AA. In our sample, loans were made in 45 of the 217 census tracts in the AA. Seven of the 45 census tracts (16%) penetrated by our sample were moderate-income tracts. Our sample only included 60 loans; so at most only 60 census tracts in the AA could have been penetrated. Out of the 60 loans, 75% of the loans were in different census tracts throughout the county, which represents reasonable penetration given our small sample size in relation to the number of census tracts in the AA.

Based upon the above factors, the overall geographic distribution of loans reflects reasonable dispersion throughout the AA.

LOANS MADE IN LOW INCOME CENSUS TRACTS –		
List of loans provided by management to support lending in low-income census tracts since the last CRA examination		
TYPE OF LOAN	NUMBER OF LOANS	DOLLAR VOLUME
Commercial – loans with annual gross revenues less than \$1 million	8	\$565,977
Commercial – loans with annual gross revenues greater than \$1 million	2	\$68,719
HELOC	5	\$131,550
Consumer	12	\$109,970
TOTAL	27	\$876,216

Source: List of loans provided by management.

Loan Distribution from Loan Sample

GEOGRAPHY	PERCENTAGE OF COMMERCIAL LOANS IN AA	PERCENTAGE
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INCOME LEVEL	Number of Loans	Percent of Number	Dollar Volume Of Loans	Percent of Dollar Volume	OF BUSINESSES IN TRACT CATEGORY
Low	0	0%	\$0	0%	9%
Moderate	5	25%	\$403,006	20%	12%
Middle	10	50%	\$952,266	46%	42%
Upper	5	25%	\$693,792	34%	37%

Source: Loan sample; 1990 U.S. Census Data.

GEOGRAPHY INCOME LEVEL	PERCENTAGE OF HELOC LOANS IN AA				PERCENTAGE OF OWNER-OCCUPIED UNITS IN TRACT CATEGORY
	Number of Loans	Percent of Number	Dollar Volume Of Loans	Percent of Dollar Volume	
Low	0	0%	\$0	0%	11%
Moderate	1	5%	\$25,700	3%	17%
Middle	8	40%	\$307,000	34%	43%
Upper	11	55%	\$576,700	63%	29%

Source: Loan Sample; 1990 U.S. Census Data.

GEOGRAPHY INCOME LEVEL	PERCENTAGE OF CONSUMER LOANS IN AA				PERCENTAGE OF HOUSEHOLDS IN TRACT CATEGORY*
	Number of Loans	Percent of Number	Dollar Volume Of Loans	Percent of Dollar Volume	
Low	0	0%	\$0	0%	10%
Moderate	4	20%	\$31,948	18%	17%
Middle	11	55%	\$110,315	62%	43%
Upper	5	25%	\$35,456	20%	30%

Source: Loan Sample; 1990 U.S. Census Data.

DISTRIBUTION OF LOANS IN CENSUS TRACTS – COMBINED								
	Low		Moderate		Middle		Upper	
	#	\$	#	\$	#	\$	#	\$

Commercial	0%	0%	25%	20%	50%	46%	25%	34%
HELOC	0%	0%	5%	3%	40%	34%	55%	63%
Consumer	0%	0%	20%	18%	55%	62%	25%	20%
Combined Total	0%	0%	17%	15%	48%	44%	35%	41%
Percentage of Census Tracts in bank's AA	16%		19%		38%		27%	

Source: Loan Sample; 1990 U.S. Census Data.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.