



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

June 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Southwestern Ohio
Charter Number 56**

**Third and High Streets
Hamilton, Ohio 45011**

**Office of the Comptroller of the Currency
4050 Executive Park Drive, Suite 310
Cincinnati, Ohio 45241**

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, when examining financial institutions subject to its supervision, to use its authority 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 the examination's conclusion, 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 CRA performance of First National Bank of Southwestern Ohio (First Southwestern) prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 8, 1998. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 C.F.R. part 25.

This evaluation covers the period from January 1, 1996 to June 8, 1998. The prior CRA evaluation, dated December 31, 1995, rated this institution "Outstanding Record of Meeting Community Credit Needs."

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute and implementing regulation that require the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Community Development - affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSA's consist of one or more counties, including large population centers and

nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Individual income that is less than 50% of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Moderate-Income - Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography of the MFI.

Middle-Income - Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Upper-Income - Individual income that is 120% or more of the area median income, or a median family income that is 120% or more, in the case of a geography.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

INSTITUTION’S CRA RATING: This institution is rated “Outstanding Record of Meeting Community Credit Needs”.

The major factors supporting the institution’s rating are as follows:

- Lending to borrowers of different income levels and businesses of different sizes shows an excellent distribution. First Southwestern is the number one lender to low-income borrowers in its assessment area. The bank made 16% of its total number of HMDA loans to low-income borrowers with an additional 23% of its HMDA loans extended to moderate-income borrowers. First Southwestern made 84% of its small business loans to businesses with revenues of less than \$1 million.
- The geographic distribution of lending shows excellent penetration in all income level census tracts. First Southwestern is the number one home improvement lender in moderate-income census tracts within its assessment area. The bank made 5% of its total number of loans in low-income census tracts with an additional 15% of its loans extended in moderate-income tracts.
- The bank’s services are readily accessible to individuals throughout the assessment area. First Southwestern has several branches in the downtown areas of both Hamilton and Middletown, which is where many of the low- and moderate-income individuals live. The bank has 10% of its branches in low-income census tracts. Another 17% of the branches are located in moderate-income census tracts. Over 46% of the households below the poverty level are in low- and moderate-income tracts.

The following table indicates the performance level of First Southwestern with respect to the lending, investment, and service tests.

Performance Levels	First National Bank of Southwestern Ohio Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High satisfactory			
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests in the overall rating.

DESCRIPTION OF INSTITUTION:

Bank Profile:

First Southwestern is a \$1 billion bank with its main office located in Hamilton, Ohio. The bank is located in a well established community with an economic base that historically has been manufacturing, but has experienced growth as a residential area for nearby Cincinnati. Economic conditions are considered good and competition is strong. The institution has a total of 30 offices and 31 automatic teller machines (ATMs). The main office and seven other branch offices are located in Hamilton. There are four branches in Middletown, three in Fairfield, two in Monroe, two in Oxford, two in Ross and one in each of the following: Camden, Cincinnati, Lebanon, Lewisburg, Mason, Maineville, Springboro, Trenton & West Chester.

First Southwestern is owned by First Financial Bancorp, a \$2.6 billion holding company also headquartered in Hamilton, Ohio. First Financial Bancorp owns fourteen other financial institutions in Ohio, Indiana, and Michigan.

Total loans account for 67% of First Southwestern's average assets, as of December 31, 1997. The loan to deposit ratio was 90%, an increase from 86% at year-end 1996. The loan mix indicates the bank is largely a real estate lender. Over 62% of the loan portfolio is for real estate purposes. One-to-four family residential loans account for 39% of average gross loans and home equity loans total 5% of the portfolio. Commercial real estate loans account for another 16% while multi-family loans represent only 2% of average gross loans. Loans to individuals make up 19%, with commercial and industrial loans accounting for 15% of the portfolio.

The institution is capable of meeting the community's credit needs based on its financial condition, size, product offerings, legal impediments, and other factors.

Combined Assessment Areas Profile:

First Southwestern operates in two contiguous areas; however, we evaluated the Hamilton-Middletown MSA separate from the portion of the Cincinnati MSA. There is also a non-MSA area in Preble County. The Hamilton-Middletown MSA is the majority of the bank's assessment area (73 of the total 99 census tracts/block numbering areas). First Southwestern's Cincinnati MSA assessment area includes only 22 of the 246 census tracts in that MSA, and the Preble County area includes only four block numbering areas. Specific demographic data on the two MSA areas are included in the back of this report in separate sections which address the bank's performance in each of these MSA areas.

The combined area consists of 99 census tracts and block numbering areas (BNA's). According to 1990 census information, the community is comprised of 8 (8%) low-, 18 (18%) moderate-, 50 (51%) middle- and 22 (22%) upper-income census tracts. The remaining tract is not designated by income level.

The total population of this area is 406,908 people in 111,113 families. Of this total, there are 19,431 (17%) low-, 19,464 (18%) moderate-, 27,679 (25%) middle-, and 44,546 (40%) upper-income families in the area. The population within this area is distributed among the census tracts as follows: 5% low-, 15% moderate-, 51% middle-, and 28% upper-income tracts. The remaining 1% of the population reside in the tract which does not have an income designation.

There are 153,137 housing units in the area. The large majority (67%) of housing is owner occupied units. Only 27% of the housing units are occupied rental units. A large percentage of the owner occupied units (84%) are in middle- and upper-income census tracts. Only 3% of the owner occupied units are in low-income census tracts and 13% are in moderate-income tracts. The median housing cost is \$74,791 with the average age of housing approximately 33 years old.

According to the business demographic data for the entire area, the distribution of businesses shows only 7% of the businesses are located in low-income census tracts. An additional 15% of the businesses are located in moderate-income census tracts. Middle- and upper-income tracts have 52% and 26% of the businesses, respectively. The distribution of small businesses (those with gross annual revenue less than \$1 million) mirrors the total business distribution except there are only 6% of the small businesses in low-income census tracts and 16% in moderate-income census tracts. Seventy-three percent (73%) of the businesses in the combined assessment areas have gross income less than \$1 million, 8% greater than \$1 million, with the remaining businesses' income unknown.

There are 379 farms in the combined assessment area. Two hundred fifty-four (254) or 67% of these farms are in middle-income census tracts. Two percent (2%) of the farms are in low-income tracts and 5% are in moderate-income tracts. The other 26% are in upper-income tracts. Three hundred forty-seven (347) of the 379 farms (92%) have revenue less than \$1 million.

Competition in the assessment area is strong with Star Bank, N.A. (\$13.5 billion in total assets), Bank One, N.A. (\$24.5 billion in total assets), and The Fifth Third Bank (\$10 billion in total assets) having a strong market presence in the greater Cincinnati area. Key Bank, N.A. (\$69 billion in total assets) also has several offices in the bank's assessment area.

Information from contacts conducted by examiners with five community representatives was evaluated during this examination. The types of organizations included housing, small business development, and social service organizations. The contacts indicated the main credit needs in the area were affordable housing (especially lower down payment requirements) and small business loans.

CONCLUSIONS ABOUT PERFORMANCE TESTS

First Southwestern has met the intent of the Community Reinvestment Act. A significant majority of the bank's activity is in Butler county (Hamilton/Middletown MSA #3200). This area includes 73 of the total 99 census tracts in the assessment area and contains the locations for 23 of the bank's 30 branches. Therefore, this area was most influential in the overall assessment of the bank's performance.

Scope:

Our analysis included full exam procedures in all 3 assessment areas. We reviewed small business, small farm, HMDA (home purchase, home improvement, home refinance, and multi-family), and community development loans. Small farm lending, however, was not significant in relation to the overall lending level. No affiliate lending was included in this review. The review of investments included a review of the investment portfolio and an analysis of the grants and donations provided to community service organizations. Our evaluation of services included analyzing the availability and effectiveness of the bank's branch/ATM network for delivering retail banking services. We analyzed the effect of the changes in branch locations since the previous CRA examination. We also considered the extent and innovativeness of the bank's community development services in meeting the credit needs of the assessment area.

Data Integrity:

In order to determine the accuracy of data presented by the bank, we verified a sample of the HMDA and small business loans. We reviewed a sample of HMDA reportable transactions to ensure the purpose, action taken, race, gender, applicant income, and loan size were accurately included on the Loan Application Register (LAR). Our review of these files noted only minor clerical errors. We also reviewed some small business loan files to verify data accuracy. The small business loan information reported on the CRA Data Listing Report was substantially correct. We also reviewed 100% of the loans the bank was reporting as community development. All of the loans provided met the definition of community development and were correctly included in the data. We also reviewed all the grants and donations the bank made from January 1, 1996 through April 30, 1998. With assistance from bank personnel, we determined which organizations met the definition of community development and only included those under the investment test. Overall, the data was considered to include only insignificant errors.

LENDING TEST

Major Conclusions:

- First Southwestern's lending levels reflect excellent responsiveness to assessment area credit needs.
- First Southwestern's geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The bank's distribution of borrowers reflects excellent penetration among retail customers of different income levels and business customers of different sizes, given the product lines offered by the bank.
- Community development lending is good. First Southwestern provided over \$22 million of total funding projects in the community. Most of the projects provide housing for low- and moderate-income people.

Lending Activity

First Southwestern extended a significant amount of credit in the assessment area. As reflected in Table I, "Volume of Loan Originations Inside the Assessment Area," the bank made 4,168 loans totaling \$258,788,000 in their assessment area during the evaluation period. First Southwestern's largest volume product by number of loans made in the evaluation period is HMDA lending volume at 2,021 loans for \$106,078,000. Small business lending is very close behind at 1,969 loans for \$126,856,000. By dollar amount, small business lending is the largest volume. First Southwestern also extended over \$22 million for community development projects in their assessment area between January 1996 and March 1998.

First Southwestern's good responsiveness to assessment area credit needs is further supported by their market rank for HMDA and small business lending. During 1996, First Southwestern's overall market share of 3.46% for HMDA lending resulted in a market rank of 4th out of 373 institutions. The bank ranked 8th out of 116 institutions with a 4.38% market share for small business lending. Aggregate data for 1997 and 1998 are not available, therefore, we compared First Southwestern's performance to the latest data available (1996).

Table I - Volume of Loan Originations Inside the Assessment Area								
Type of Loan	YTD 3/98		1997		1996		Total YTD 3/98, 1997 & 1996 Combined	
	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)
Home Purchase	54	\$3,895	210	\$16,694	222	\$18,048	486	\$38,637
Home Improvement	82	\$731	442	\$4,475	311	\$3,045	815	\$8,251
Refinance	198	\$16,577	265	\$22,116	240	\$16,258	703	\$54,951
Multi-Family	2	\$793	10	\$2,595	5	\$851	17	\$4,239
Total HMDA	336	\$21,996	907	\$45,880	778	\$38,202	2,021	\$106,078
Small Business	235	\$20,357	1,096	\$60,122	638	\$46,377	1,969	\$126,856
Small Farm	1	\$3	92	\$1,923	65	\$1,345	158	\$3,271
Community Development	2	\$2,835	10	\$10,043	8	\$9,705	20	\$22,583
Total Loans	574	\$45,191	2,105	\$117,968	1,489	\$95,629	4,168	\$258,788

Source: HMDA-LAR, CRA Data Listing Report, and Internal Bank Reports.

Assessment Area Concentration

A high percentage of loans made by First Southwestern are concentrated inside the bank's assessment area. As illustrated in Table II, "Loans Inside the Assessment Area vs Total Loans," First Southwestern made 84% of the number, and 83% of the dollar volume of mortgage, small business, and community development loans inside its assessment area.

The high concentration of HMDA lending inside First Southwestern's assessment area is a good indicator of their strong focus on meeting the housing needs of the local community. From January 1996 through March 1998, the bank originated 2,410 HMDA reportable loans, representing \$131,909,000. Eighty-four percent (84%) of the number of HMDA loans originated, representing 2,021 loans, were within the bank's assessment area. First Southwestern's HMDA lending by product type also indicates a high percentage of lending inside the assessment area. Over 80% of First Southwestern's home purchase, home improvement and refinance loan originations were inside its assessment area. In addition, 81% of First Southwestern's multi-family loans were within the assessment area. When evaluating the bank's dollar volume of HMDA lending inside the assessment area, First Southwestern's assessment area concentration is slightly lower. Eighty percent (80%) of the dollar volume of HMDA lending was inside the assessment area. See Table II, "Loans Inside the Assessment Area vs Total Loans," for more details.

First Southwestern's commitment to meeting its assessment area's credit needs is further demonstrated by the volume of small business loans in their assessment area. A substantial majority of First Southwestern's small business is inside its assessment area. From January 1996 through March 1998, First Southwestern originated 2,351 small business loans, amounting to \$153,912,000. Eighty-four percent (84%), or 1,969 of those loans, were inside the bank's assessment area.

A significant number of the small farm loans were also made within the assessment area. One hundred fifty eight (158) of the 190 small farm loans were inside the assessment area. This represents 83% of the small farm loans by number. Small farm loan dollars also indicate that 83% of the funds remained within the assessment area.

Table II - Loans Inside the Assessment Area vs Total Loans From January 1996 through March 1998						
Type of Loan	Total Loans		Loans Inside Assessment Area			
	#	\$ (in 000's)	#	% of #	\$ (in 000's)	% of \$
Home Purchase	587	\$49,061	486	83%	\$38,637	79%
Home Improvement	923	\$9,697	815	88%	\$8,251	85%
Refinance	879	\$68,505	703	80%	\$54,951	80%
Multi-Family	21	\$4,646	17	81%	\$4,239	91%
Total HMDA Loans	2,410	\$131,909	2,021	84%	\$106,078	80%
Small Business	2,351	\$153,912	1,969	84%	\$126,856	82%
Small Farm	190	\$3,949	158	83%	\$3,271	83%
Community Development	20	\$22,583	20	100%	\$22,583	100%
Total Loans	4,971	\$312,353	4,168	84%	\$258,788	83%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996.

Geographic Distribution of Loans Within the Assessment Area

First Southwestern’s distribution of loans to different income level census tracts is excellent. The bank’s market share for home purchase and home improvement loans is higher in low- and moderate-income census tracts than for middle- and upper-income census tracts and the overall market share. For small business loans, the market share is higher in middle-income tracts than the low- or moderate-income tracts; however, the market share for moderate-income tracts is higher than the overall market share. Additionally, the market share for both the low-income and moderate-income tracts is higher than market share in upper-income tracts. For refinance loans, the market share is higher in middle-income tracts than the low- or moderate-income tracts; however, the difference between the market share in low- or moderate-income tracts is only slightly lower than the overall market share. Table III, “Market Share and Market Rank Distribution by Income Level of the Census Tract” shows the market share and rank for these products. Small farm market share and rank information is not included in the table since only 172 loans were made for \$7,463,000 by all 16 lenders reporting activity in this entire area. First Southwestern made 78 (\$1,471,000) of these loans for a 45% market share and “1” market rank.

Table III - Market Share (MS) and Market Rank (MR) Distribution by Income Level of the Census Tract										
Type of Loan	Income Level of Census Tract									
	Low income		Moderate income		Middle income		Upper income		All Tracts	
	MS	MR	MS	MR	MS	MR	MS	MR	MS	MR
Home Purchase	6.52%	3	3.43%	7	2.20%	12	1.12%	29	1.95%	15
Home Improvement	14.29%	3	19.39%	1	11.37%	4	5.88%	6	11.07%	4
Refinance	2.37%	14	2.79%	9	3.41%	5	2.18%	8	2.91%	5
Total HMDA Loans*	4.31%	4	4.19%	3	3.54%	4	1.78%	12	3.06%	4
Small Business Loans	3.57%	10	5.77%	7	6.81%	4	2.21%	11	4.78%	8

Source: Aggregate Small Business, Small Farm, and HMDA Data for 1996.

*Excludes Multi-family loans

The distribution of loans made by First Southwestern during the evaluation period is good. The bank made 5% of its loans in low-income census tracts. An additional 15% of the loans were extended in moderate-income tracts. Although 8% of the census tracts in the assessment area are designated low-income, only 6% of the population lives in these tracts. Also, a significant level of the households in these tracts are living below the poverty level. Only 7% of the businesses in the assessment area are represented in these tracts. Considering the disparity in these demographic facts, this level of lending in these tracts is considered good. Lending in moderate-income tracts mirrors the make-up of the

assessment area with 18% of the tracts and 15% of the population living in moderate-income tracts. Again a smaller number of the businesses (15%) are located in this type of tract.

First Southwestern's home mortgage lending in low- and moderate-income census tracts is good, compared to the level of owner-occupied housing units in these areas. Only 2% (2,558 units) of the owner-occupied units in the bank's assessment area are located in low-income census tracts. An additional 13% of the owner-occupied units are located in moderate-income census tracts. First Southwestern originated 4% and 17% of its HMDA reportable loans in low- and moderate-income census tracts, respectively. As indicated in Table IV, "Geographic Distribution of Loans by Census Tract Income Level Inside the Assessment Area," First Southwestern's originations by product type also compare favorably to the distribution of housing units in the assessment area. We compared the bank's level of lending to the distribution of owner-occupied housing units because of the large disparity in the distribution of owner-occupied housing, the population, and the income levels of census tracts in the assessment area (for example, low-income census tracts account for 17% of the assessment area; however, only 3% of the owner-occupied housing is in this type of tract). The large disparity in these distributions makes the comparison of owner-occupied units to lending levels a more meaningful analysis for HMDA reportable products. (See Combined Assessment Areas Profile and Table IV below for details.)

First Southwestern's multi-family lending performance reflects excellent distribution throughout the assessment area. Only 5% of the multi-family units in the bank's assessment area are located in low-income census tracts. An additional 17% of multi-family units are located in moderate-income census tracts. During the evaluation period, First Southwestern originated 6% and 23% of its multi-family loans in low- and moderate-income census tracts within its assessment area, respectively. Therefore, in total, First Southwestern's 29% of loans in low- and moderate-income tracts exceeds the opportunity of 22% of the units in these areas. This demonstrates the bank's focus on meeting the needs for affordable housing in low- and moderate-income tracts in their assessment area.

First Southwestern's small business lending distribution is also good. The bank's lending distribution is only slightly lower than the assessment area's distribution of businesses located in low- or moderate-income census tracts. Six percent (6%) of First Southwestern's small business loans were made to businesses located in low-income census tracts. An additional 14% were made to businesses located in moderate-income census tracts. According to the business demographic data for the assessment area, only 6% of the small businesses (those with gross revenue less than \$1 million) are located in low-income census tracts. An additional 16% of the small businesses are located in moderate-income census tracts. First Southwestern's distribution of 20% of their loans to businesses located in low- and moderate-income census tracts approximates the relative opportunity of only 22% of the businesses located in these tracts. This further supports the bank's commitment to meet their assessment area's business credit needs.

First Southwestern made all of its small farm loans in middle- and upper-income census tracts. This distribution is reasonable considering that only 7% of all the farms in the assessment area are in low- or moderate-income tracts.

In addition, First Southwestern's proportion of community development lending in low- or moderate-income census tracts is excellent. Ten percent (10%) of community development loans were made in low-income census tracts. An additional 30% were made in moderate-income census tracts. This distribution demonstrates the bank's commitment to provide affordable housing and development primarily to help restore quality neighborhoods in low- and moderate-income census tracts.

Table IV - Geographic Distribution of Loans by Census Tract Income Level Inside the Assessment Area From January 1996 through March 1998								
Type of Loan	Income Level of Census Tract							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	23	5%	89	18%	280	58%	93	19%
Home Improvement	34	4%	180	22%	472	58%	129	16%
Refinance	18	3%	78	11%	448	64%	158	22%
Multi-Family	1	6%	4	23%	9	53%	3	18%
Total HMDA Loans	76	4%	351	17%	1,209	60%	383	19%
Small Business	125	6%	296	15%	1,193	61%	354	18%
Small Farm	0	0%	0	0%	153	97%	5	3%
Community Development	2	10%	6	30%	9	45%	3	15%
Total Loans	203	5%	653	15%	2,564	62%	745	18%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996.

Note: Total numbers may not equal the loans inside the assessment area in Table II and percentages may not equal 100% since some census tracts do not have a designated income level.

Distribution by Borrowers' Income Inside the Assessment Area

The distribution of borrowers reflects excellent penetration among retail customers of different income levels, given the product lines offered by the institution. Lending to businesses of different sizes is considered good.

First Southwestern's market share of HMDA loans is very good at 6.61% for low-income borrowers and

good at 3.70% for moderate-income borrowers. The bank is ranked first of all lenders in loans to low-income borrowers in their combined assessment areas. First Southwestern's market share is higher for both low-income borrowers and moderate-income borrowers than their market share for middle-income, upper-income, and all borrowers, as illustrated in "Table V - Market Share and Market Rank - HMDA Loans - Distribution by Borrower's Income Level."

Table V - Market Share and Market Rank - HMDA Loans Distribution by Borrower's Income Level										
Type of Loan	Income Level of Borrower									
	Low income		Moderate income		Middle income		Upper income		All Borrowers	
	MS	MR	MS	MR	MS	MR	MS	MR	MS	MR
Home Purchase	5.22%	3	2.33%	12	1.31%	21	2.10%	10	1.95%	15
Home Improvement	25.09%	1	14.87%	3	9.46%	4	6.07%	5	11.07%	4
Refinance	3.67%	8	3.50%	4	2.96%	7	2.89%	7	2.91%	5
Total HMDA Loans*	6.61%	1	3.70%	5	2.60%	4	2.56%	7	3.06%	4

Source: Aggregate HMDA Data for 1996

*Excludes Multi-family loans

Small farm and small business market share by revenue and loan size also show First Southwestern to be a very active lender in their assessment area. The bank has an 8% market share and "4" market rank for loans to small businesses with revenue less than \$1 million. This market share is almost double the bank's 4.38% and 8th market rank for small loans to businesses of all revenue amounts. First Southwestern's market share for loans with original amounts of \$100,000 or less is 4.46% resulting in an "8" market rank.

First Southwestern's loan distribution shows that 16% of HMDA loans were made to low-income individuals, and 23% were made to moderate-income borrowers. The make-up of the assessment area shows 17% low-, 18% moderate-, 25% middle- and 40% upper-income families in the area. Considering that 9% of the households in the assessment area are below the poverty level, the opportunity to extend home mortgage credit to low-income borrowers is reduced. Those households would have a limited ability to assume debt obligations. Therefore, the slightly lower level of First Southwestern's home mortgage lending to low-income borrowers is considered very good. See Table VI, "Distribution by Borrower's Income Level Inside the Assessment Area From January 1996 through March 1998" for more details.

Table VI - Distribution by Borrower's Income Level Inside the Assessment Area From January 1996 through March 1998								
Type of Loan	Income Level of Borrower							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	67	14%	97	20%	93	19%	198	41%
Home Improvement	205	25%	231	28%	194	24%	171	21%
Refinance	50	7%	142	20%	202	29%	280	40%
Total HMDA Loans*	322	16%	470	23%	489	24%	649	32%

Source: First Southwestern's HMDA-LAR for 1998, 1997 and 1996.

*Excludes Multi-family loans

Note: Percentages may not add to 100 due to loans for which the borrower's income was not available.

As reflected in Table VII, "Distribution of Small Business Originations From January 1996 through March 1998 Inside the Assessment Area By Loan Size and Business Revenues," First Southwestern's origination of small business loans reflects an excellent distribution. When considering the size of the loans, a substantial majority of the loans (84%) were less than \$100 thousand. In addition, 84% of First Southwestern's small business loans were made to businesses with revenues less than \$1 million. This level of performance is considered excellent given the distribution in the size of businesses in the assessment area.

Table VII - Distribution of Small Business Originations From January 1996 through March 1998 Inside the Assessment Area By Loan Size and Business Revenues							
Loan Size					Annual Revenues		
	less than \$100,000	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Total Loans	< \$1 Million	> \$1 Million	Unknown
Number	1650	218	101	1969	1647	193	129
% of #	84%	11%	5%	100%	84%	10%	6%
Dollars (in 000's)	\$44,388	\$35,976	\$46,492	\$126,856	\$88,647	\$25,720	\$12,459
% of \$	35%	28%	37%	100%	70%	20%	10%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:				Revenues <\$1 Million			73%
				Revenues > \$1 Million			8%
				Revenues Unknown			19%

Source: First Southwestern's CRA Data Listing reports for 1998, 1997 and 1996.

Community Development Lending

First Southwestern has made a significant contribution to community development in their assessment area. The amount of funding provided for projects in the assessment area is excellent. First Southwestern made 20 community development loans for \$22,583,000. The bank made 15 loans totaling \$14,558,000 for affordable housing and three of the loans for \$3,825,000 were for job creation. The other two loans were for affordable care at a nursing home with some of the funding used for expansion and ultimately job creation. First Southwestern also made 29 loans for \$6,155,350 which met the definition of community development but were reported in the small business loan totals. The bank's contribution is considered strong in relation to the aggregate HMDA information for 1996 (most recent data available). In the bank's assessment area, only 17 multi-family projects were reported and First Southwestern financed five of these projects. Other than The Provident Bank, no other lender reported more than one multi-family loan in the area during 1996.

The following examples demonstrate the types of projects in which the bank has been involved.

- o The bank made loans in both 1997 and 1996 for \$2,835,000 and \$2,600,000, respectively, to rehab various properties in the German Village area of Hamilton, Ohio. These properties rent for approximately \$200 to \$425 per month to provide affordable housing.
- o First Southwestern made two loans for \$1,535,000 to refinance mobile home parks. These locations provide affordable housing with pads renting for only \$200 per month.
- o Another loan for \$1,100,000 was used to refinance and expand two industrial buildings. The loan provided for creation of 22 jobs paying between \$6.50 and \$9.00 per hour.
- o A loan for \$1,175,000 allowed a manufacturing company to purchase additional equipment and expand its production. This loan helped to create 50 new jobs with salaries of \$17,000 to \$26,000 per year.
- o First Southwestern made two loans for \$4,200,000 to finance the purchase and expansion of a nursing home. This funding provided for both affordable housing for individuals needing nursing home care and the creation of approximately 30 new jobs paying \$7.00 to \$8.00 per hour.

Product Innovation and Flexibility

First Southwestern is very responsive to credit needs by offering several flexible loan products. The bank offers some flexible residential mortgage loan products to serve assessment area credit needs. First Southwestern offers a flexible small business product through the State of Ohio Treasurer's office linked-deposit program. The bank participates in the linked-deposit program for agricultural credit also. All of these flexible loan products help low- and moderate-income individuals obtain credit which they might not have access to under the bank's normal underwriting standards.

First Southwestern offers special mortgages through its CHAMP loan program. These loans are targeted to low- and moderate-income borrowers and offer additional incentives for properties in the targeted low- and moderate-income census tracts. The loans do not require the borrower to purchase private mortgage insurance (PMI), although loan-to-value percentages exceed the industry standard of 80%. Additionally, the adjustable rate mortgage (ARM) loans offer lower periodic and life-time caps. Normally, the bank's ARM products have 2% annual caps with 6% lifetime caps; however, for CHAMP loans the annual cap is lowered to 1% and the lifetime cap is reduced to 5%. First Southwestern made 72 loans for \$3,746,082 under this loan program during the evaluation period. These loans were included in the HMDA loan totals.

The bank offers a residential loan product referred to as an 80/20 mortgage loan (100% financing). There is no requirement for PMI. The product is structured as two notes. The first note is the 80% adjustable rate mortgage (ARM) portion which is priced as a typical ARM loan. The second note is the

20% second mortgage which is a fixed rate loan for a 15-year term. This 80/20 product is considered flexible as the overall transaction allows for no down payment on a home purchase. The majority of these loans are made through an agreement with Discover Financial Services, Inc. Under this arrangement, the bank made nine loans for \$968,382 (80% portion) and \$262,744 (20% portion). Also, First Southwestern made two loans outside this program for \$222,169 (80% portion) and 50,328 (20% portion). The 80% ARM loans were included in the HMDA totals; however, the 20% product is not a reportable residential transaction.

The bank participates with the Neighborhood Housing Services (NHS) organization in making home purchase loans to low- and moderate-income individuals. The loans allow for only 3% down payment, 3% closing costs, and require no PMI. The bank made 11 loans for \$531,425 through the NHS loan program during this evaluation period. These loans are included in the HMDA loan totals.

First Southwestern recently agreed to make \$500,000 available under the state of Ohio's First-Time Home buyers program. However, as of the time this report was written, the bank has not made any loans under this program.

First Southwestern also participates in the State of Ohio Small Business Linked Deposit Program. This program enables the bank to provide small business loans at rates of 3% below their normal rate for the loans. From January 1996 through June 1998, the bank made 11 loans for \$2,422,118 under this program. These loans were included in either the small business or community development loan numbers.

The bank participates in the State of Ohio's Agricultural Linked Deposit Program. During 1996, the bank made 1 loan for \$85,000 under this program, with \$29,000 representing new funds to the borrower.

Compliance with Anti-Discrimination Laws

First Southwestern has a satisfactory record of complying with the anti-discrimination laws (ECOA, FHA, and HMDA). No violations of the substantive provisions of the anti-discrimination laws and regulations were discovered during this examination.

INVESTMENT TEST

Major Conclusions:

- The institution has an adequate level of qualified community development investments and grants. However, First Southwestern rarely takes a leadership position in these investments, particularly those investments that are not routinely provided by private investors. First Southwestern provides seed money to most of the community development organizations in their assessment area through grants and donations. Without the support of First Southwestern and other such donors, many of these agencies would not be able to continue to operate and provide needed

services to this assessment area.

- The institution exhibits adequate responsiveness to credit and community economic development needs. There is not a lot of opportunity for qualified investments in the bank's assessment area.
- The institution occasionally uses complex investments to support community development initiatives.

The majority of the opportunity for community development investing in the assessment area is in the form of grants and donations. There are few well established community development organizations with whom the bank could form partnerships. However, First Southwestern does have one qualified investment from a prior evaluation period which remains in the bank's investment portfolio. First Southwestern purchased \$985,050 of Low-Income Housing Tax Credits (LIHTC) in 1994 in conjunction with the Royal Pines Housing Project in Middletown. This type of financing is somewhat complex although not innovative. This project provided 94 one- or two-bedroom units of affordable housing to an area which did not have enough of this type of housing to meet the areas needs. The current balance of this investment is \$640,283.

From January 1996 through March 1998, First Southwestern made several grants and donations to organizations which provide community development services within their assessment area. A total of 44 community development organizations received grants and donations for \$253,881 during the evaluation period. These grants went to a variety of types of organizations including community development corporations, housing development and providers of health care, shelter and food.

First Southwestern awards scholarships to low-income individuals under three different programs. A business technology scholarship of \$2,000 per year, three scholarships to children of First Southwestern employees of \$1,250 each per year, and a memorial scholarship of \$1,000 per year targeted at low-income minority individuals are available. Several scholarships were awarded under these programs during the evaluation period. However, since most of the scholarship funds are administered through the Hamilton Community Foundation, specific information on the amount of these scholarships paid during the evaluation period was not available.

SERVICE TEST

Major Conclusions:

- First Southwestern's delivery systems are readily accessible to essentially all portions of the institution's assessment area. Branches and ATM's are distributed throughout the entire assessment area.
- The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems. First Southwestern has opened two and closed one branch office during this

evaluation period. All the offices opened and/or closed are located in middle-income census tracts.

- Services, including business hours, are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals. Service hours and products offerings are standardized and made available in all locations.
- The institution is a leader in providing community development services. All three of our community contacts mentioned the strong involvement of First Southwestern in the community.

Retail Services

First Southwestern makes its retail services easily accessible to all individuals in their assessment through its branch distribution. Many of its branches are located in the downtown areas of both Hamilton and Middletown. These areas are where a large portion of the low- and moderate-income individuals live. First Southwestern operates 30 full service branches throughout this assessment area. The main office is located in downtown Hamilton, Ohio. The bank has extended banking hours through its walk-up and drive-through facilities.

Half (50%) of the bank's branches are located within middle-income geographies. Ten percent (10%) of the branches are in low-income census tracts with an additional 17% located in moderate-income areas. The remaining 23% of the branches are in upper-income tracts. This distribution compares favorably with the distribution of the income level tracts in the assessment area. Only 8% of the census tracts in the assessment area are designated low-income and another 18% are moderate-income tracts.

First Southwestern has opened two branches during 1996. One of these branches replaced a branch which was destroyed by fire late in 1995. First Southwestern also closed one branch during the evaluation period. The two new branches are located in middle-income census tracts and the branch which was closed had been located in a middle-income census tract.

The bank maintains 31 full service ATMs. Four of the ATMs are at off-site locations with the other 27 at branch locations. The distribution of the ATMs shows that 16% of the machines are in low-income census tracts with another 23% of the machines in moderate-income census tracts.

First Southwestern offers some other alternative delivery services; however, all of these are not necessarily effective in meeting the needs of low- and moderate-income individuals. The bank offers twenty-four hour telephone automated banking including a bill payment feature, and bank-by-mail services. The bank has also established an Internet home page. This site is mainly informational at this time. For its loan applicants, First Southwestern will forward applications to an affiliated finance company when the applicant fails to qualify under programs offered by the bank.

The bank's service hours, including lobby hours, walk-up and drive-up hours are generally 9:00 a.m. to 4:30 p.m. Monday through Wednesday and 9:00 a.m. to 6:30 p.m. on Thursdays and Fridays. The downtown branches (in both Hamilton & Middletown) open at 8:30 a.m. every day Monday through

Friday. Most branches are open from 9:00 a.m. to 12:00 noon on Saturdays. One branch of the bank is open for 6 hours on Sundays. ATM's are available twenty-four hours daily. There are no differences in the types of services available at the different locations.

Community Development Services

Employees of First Southwestern are very active with organizations which provide community development related loans and services to the assessment area. Many of these organizations address the housing needs of the low-income residents of this area. We received very positive comments about the involvement of First Southwestern during our community contacts. First Southwestern is active in some capacity with almost all the community development organizations in its assessment area. Some examples of activities and the organizations with which the bank and its employees are affiliated follow:

- o One bank officer serves as both the Treasurer and Board Member for an organization which provides emergency shelter and transitional housing for up to 60 people.
- o An employee is on the Special Improvement District Board in Hamilton. This organization oversees much of the economic development of the designated low-income areas in Hamilton.
- o A bank officer serves as a director and another employee serves as a loan underwriter for the Neighborhood Housing Services (NHS) of Hamilton. This organization makes loans to low- and moderate-income individuals for home purchase and home improvement. NHS also provides educational and counseling services to these individuals.
- o A bank officer is Co-Chairman for the Secondary Market Committee of an organization which was established to increase home ownership opportunities for the region's under-served residents. The project is a cooperative effort of area businesses, banks, community organizations and the Federal Reserve. This committee tries to identify barriers to loan sales to the secondary market and develop ways to overcome these barriers.
- o Another bank officer serves on the development council (primary function is to raise the funds necessary to operate the programs offered) of an organization which operates five food pantries.
- o A bank officer is chairman of the finance committee and on the board of an organization which provides low- and moderate-income children with after school activities.
- o A bank officer is treasurer of an organization responsible for the stabilization and revitalization of the low- and moderate-income areas of the city of Hamilton, Ohio. The organization assists in the upgrading of the streets and attracting new business to the area.
- o A bank officer is a board member of the People United for Self Help (PUSH). This organization assists low-income homeowners in maintaining their homes.

- o First Southwestern offered two seminars to prospective Home buyers. Approximately 60 individuals attended the seminars. Information on credit history, how to calculate the amount available to spend on a home, the amount of money needed for a down payment, and explanations of fees and the loan closing process were provided.

- o A bank officer gave a presentation on “Small Business Start-up Loans.”

Metropolitan Areas

Description of Institution's Operations in the Hamilton-Middletown Metropolitan Statistical Area - Ohio

This is the primary area of activity for First Southwestern. This area comprises 73 of the total 99 census tracts in the bank's assessment area. The bank operates 23 of its 30 branches/offices within this MSA.

Hamilton-Middletown Assessment Area Profile:

First Southwestern operates in the entire Hamilton-Middletown MSA which includes only Butler county. The combined area consists of 73 census tracts. According to 1990 census information, the community is comprised of 8 (11%) low-, 17 (23%) moderate-, 32 (44%) middle- and 15 (21%) upper-income census tracts. The remaining tract is not designated by income level.

The total population of this area is 291,479 people in 78,113 families. Of this total, there are 15,018 (19%) low-, 14,213 (18%) moderate-, 19,157 (25%) middle-, and 29,729 (38%) upper-income families in the area. The population within this area is distributed among the census tracts as follows: 8% low-, 20% moderate-, 45% middle-, and 26% upper-income tracts. The remaining 1% of the population reside in the tract which does not have an income designation. The HUD adjusted median family income for 1998 for this area is \$51,600.

There are 110,353 housing units in the area. The large majority of housing is owner-occupied units (65%). Only 29% of the housing units are occupied rental units. A large percentage of the owner occupied units (78%) are in middle- and upper-income census tracts. Only 4% of the owner occupied units are in low-income census tracts and 18% are in moderate-income tracts. The median housing cost is \$74,116 with the average age of housing approximately 34 years old.

According to the business demographic data for the area, the distribution of businesses shows only 9% of the businesses are located in low-income census tracts. An additional 19% of the businesses are located in moderate-income census tracts. Middle- and upper-income tracts have 46% and 25% of the businesses, respectively. The distribution of small businesses (those with gross annual revenue less than \$1 million) mirrors the total business distribution, except there are 20% of the small businesses in moderate-income census tracts and 45% in middle-income census tracts. Seventy-three (73%) of the businesses in the county have gross income less than \$1 million, 8% greater than \$1 million, with the remaining businesses income unknown.

Of the total 379 farms in the entire assessment area, there are 225 farms in the Butler county area. One hundred (133) or 59% of these farms are in middle-income census tracts. Four percent (4%) of the farms are in low-income tracts and 7% are in moderate-income tracts. The other 30% are in upper-income tracts. Two hundred nine of the 225 (93%) have revenue less than \$1 million, 1 reported revenue greater than \$1 million, and the other 15 farms' revenue is unknown.

Competition in the assessment area is strong with Star Bank, N.A. (\$13.5 billion in total assets), Bank One, N.A. (\$24.5 billion in total assets), and The Fifth Third Bank (\$10 billion in total assets) having a strong market presence in the greater Cincinnati area. Key Bank, N.A. (\$69 billion in total assets) also has several offices in the bank's assessment area.

Two contacts performed by other examiners were reviewed complemented by three contacts made during this examination. The types of organizations included housing, small business development, and social service organizations. The contacts indicated the main credit needs in the area were affordable housing and small business loans.

Conclusions about Performance Tests in the Hamilton-Middletown Metropolitan Statistical Area - Ohio

- First Southwestern has done an excellent job of meeting the credit needs in this assessment area. Services are readily accessible in all areas including the low- and moderate-income census tracts.

LENDING TEST

Major Conclusions:

- First Southwestern's lending levels reflect excellent responsiveness to assessment area credit needs.
- Community development lending is strong in the dollar amount contributed to the community.
- A large percentage of loans are made in the institution's assessment area.
- First Southwestern's geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The bank's distribution of borrowers reflects excellent penetration among retail customers of different income levels and business customers of different sizes, given the product lines offered by the bank.
- The bank offers flexible and innovative products.

Lending Activity

First Southwestern extended a significant amount of credit in the assessment area. As reflected in Table VIII, "Volume of Loan Originations Inside the Assessment Area," the bank made 3,626 loans totaling \$230,269,000 in their assessment area during the evaluation period. First Southwestern's largest type of lending by number of loans made in the evaluation period is HMDA at 1,812 loans. The bank's second highest volume of lending is small business loans with 1,697 loans made from January 1996 through March 1998. However, in terms of the dollar volume, small business lending is the bank's largest product type, with HMDA lending close behind. First Southwestern extended \$111,168,000 for small business loans, and another \$96,662,000 for home mortgage lending in this assessment area from January 1996 through March 1998.

Table VIII - Volume of Loan Originations Inside the Assessment Area								
Type of Loan	YTD 3/98		1997		1996		Total YTD 3/98, 1997 & 1996 Combined	
	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)
Home Purchase	51	\$3,746	191	\$15,109	208	\$16,703	450	\$35,558
Home Improvement	69	\$673	359	\$3,861	289	\$2,860	717	\$7,394
Refinance	179	\$15,221	229	\$19,539	220	\$14,711	628	\$49,471
Multi-Family	2	\$793	10	\$2,595	5	\$851	17	\$4,239
Total HMDA	301	\$20,433	789	\$41,104	722	\$32,125	1,812	\$96,662
Small Business	193	\$17,532	952	\$52,234	552	\$41,402	1,697	\$111,168
Small Farm	0	\$0	67	\$1,615	32	\$741	99	\$2,356
Community Development	2	\$2,835	10	\$10,043	6	\$7,205	18	\$20,083
Total Loans	496	\$40,800	1,818	\$104,996	1,312	\$81,473	3,626	\$230,269

Source: HMDA-LAR, CRA Data Listing Report, and Internal Bank Reports.

First Southwestern's excellent responsiveness to the assessment area's credit needs is further supported by their market rank for HMDA and small business lending. During 1996, First Southwestern's overall market share of 5.00% resulted in market rank of 4th out of 315 institutions for HMDA lending in the Hamilton-Middletown MSA. The bank's market share of 23.91% ranked first out of 50 institutions for small business lending.

Geographic Distribution of Loans Within the Assessment Area

The distribution of loans made by First Southwestern during the evaluation period is good. The bank made 6% of its loans in low-income census tracts. An additional 18% of the loans were extended in moderate-income tracts. Although 11% of the census tracts in the assessment area are designated low-income, only 8% of the population lives in these tracts. Also, a significant level of the households in these tracts are living below the poverty level. Only 9% of the businesses in the assessment area are represented in these tracts. Considering the disparity in these demographic facts, this level of lending in these tracts is considered good. Lending in moderate-income tracts is lower than the make-up of the assessment area with 23% of the tracts and 20% of the population living in moderate-income tracts. Again a smaller number of the businesses (19%) are located in this type of tract.

First Southwestern's home mortgage lending in low- and moderate-income census tracts is good, compared to the level of owner-occupied housing units in these areas. Only 4% of the owner-occupied units in this assessment area are located in low-income census tracts. An additional 18% of the owner-occupied units are located in moderate-income census tracts. First Southwestern originated 3% and 12% of its HMDA reportable loans in low- and moderate-income census tracts, respectively. As indicated in Table IX, "Geographic Distribution of Loans Inside the Assessment Area," First Southwestern's originations by product type also compare favorably to the distribution of housing units in the assessment area. We compared the bank's level of lending to the distribution of owner-occupied housing units because of the large disparity in the distribution of owner-occupied housing, the population, and the income levels of census tracts in the assessment area. The large disparity in these distributions makes the comparison of owner-occupied units to lending levels a more meaningful analysis for HMDA reportable products (See Hamilton-Middletown Assessment Area Profile and Table IX below for details).

First Southwestern's multi-family lending performance reflects excellent distribution throughout the assessment area. Six percent (6%) of multi-family units in this assessment area are located in low-income census tracts. An additional 19% of multi-family units are located in moderate-income census tracts. During the evaluation period, First Southwestern originated 6% and 23% of its multi-family loans in low- and moderate-income census tracts within its assessment area, respectively. Therefore, in total, First Southwestern's 29% of loans in low- and moderate-income tracts exceeds the opportunity of 25% of the units in these areas. This demonstrates the bank's focus on meeting the needs for affordable housing in low- and moderate-income tracts in their assessment area.

First Southwestern's small business lending distribution is also good. The bank's lending is only slightly lower than the assessment area's distribution of businesses located in low- or moderate-income census tracts. Seven percent (7%) of First Southwestern's small business loans were made to businesses located

in low-income census tracts. An additional 17% were made to businesses located in moderate-income census tracts. According to the business demographic data for the Butler county, 9% of the businesses are located in low-income census tracts. An additional 19% of the businesses are located in moderate-income census tracts. The distribution of small businesses (those with revenue less than \$1 million) basically mirrors the overall distribution with 9% in low-income tracts and 20% in moderate-income tracts. First Southwestern's distribution of loans to businesses located in low- and moderate-income census tracts is reasonable compared to the number of businesses located in these tracts.

In addition, First Southwestern's proportion of community development lending in low- or moderate-income census tracts is excellent. Eleven percent (11%) of community development loans were made in low-income census tracts. An additional 28% were made in moderate-income census tracts. This distribution demonstrates the bank's commitment to provide affordable housing and development primarily to help restore quality neighborhoods in low- and moderate-income census tracts.

Table IX - Geographic Distribution of Loans by Census Tract Income Level Inside the Assessment Area From January 1996 through March 1998								
Type of Loan	Income Level of Census Tract							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	23	5%	89	20%	258	57%	79	18%
Home Improvement	34	5%	177	24%	400	56%	106	15%
Refinance	18	3%	78	12%	405	65%	126	20%
Multi-Family	1	6%	4	23%	9	53%	3	18%
Total HMDA Loans	76	4%	348	19%	1,072	59%	314	17%
Small Business	125	7%	292	17%	979	58%	300	18%
Small Farm	0	0%	0	0%	94	95%	5	5%
Community Development	2	11%	5	28%	9	50%	2	11%
Total Loans	203	6%	645	18%	2,154	59%	621	17%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996.

Note: Percentages may not equal 100% since the income level of the census tract is unavailable for some loans.

Distribution by Borrowers' Income Inside the Assessment Area

The distribution of borrowers reflects excellent penetration among retail customers of different income levels, given the product lines offered by the institution. Lending to businesses of different sizes is considered very good.

First Southwestern's loan distribution shows that 16% of HMDA loans were made to low-income individuals, and 24% were made to moderate-income borrowers. The make-up of the assessment area shows 19% low-, 18% moderate-, 25% middle-, and 38% upper-income families in the area. Considering that 10% of the households in the assessment area are below the poverty level, the opportunity to extend home mortgage credit to low-income borrowers is reduced. Those households would have a limited ability to assume debt obligations. Therefore, the combined percentage of lending to low- and moderate-income borrowers of 40% is considered excellent since it exceeds the relative opportunity of 37% of the families in the assessment area. The lower level of First Southwestern's home mortgage lending to low-income borrowers is considered good upon consideration of the percentage of families below the poverty level.

Table X - Distribution by Borrower's Income Level Inside the Assessment Area From January 1996 through March 1998								
Type of Loan	Income Level of Borrower							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	64	14%	85	19%	88	20%	184	41%
Home Improvement	185	26%	206	29%	165	23%	147	21%
Refinance	46	7%	134	21%	173	28%	248	39%
Total HMDA Loans*	295	16%	425	24%	426	24%	579	32%

Source: First Southwestern's HMDA-LAR for 1998, 1997 and 1996.

*Excludes Multi-family loans

Note: Percentages may not equal 100% since the income level of the census tract is unavailable for some loans.

As reflected in Table XI, "Distribution of Small Business Originations From January 1996 through March 1998 Inside the Assessment Area By Loan Size and Business Revenues," First Southwestern's origination of small business loans reflects an excellent distribution. When considering the size of the loans, a substantial majority, or eighty-four percent (84%), of Business Loans were less than \$100 thousand. In addition, 83% of First Southwestern's small business loans were made to businesses with revenues less than \$1 million. This level of performance is considered excellent given the distribution in the size of businesses in the assessment area. See Table XI below for details.

**Table XI - Distribution of Business Originations From January 1996 through March 1998
Inside the Assessment Area By Loan Size and Business Revenues**

Loan Size					Annual Revenues		
	less than \$100,000	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Total Loans	< \$1 Million	> \$1 Million	Unknown
Number	1,419	191	87	1,697	1,412	172	113
% of #	84%	11%	5%	100%	83%	10%	7%
Dollars (in 000's)	39,089	31,348	40,731	111,168	77,423	22,350	11,395
% of \$	35%	28%	37%	100%	70%	20%	10%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:				Revenues <\$1 Million			73%
				Revenues > \$1 Million			8%
				Revenues Unknown			19%

Source: First Southwestern's CRA Data Listing reports for 1998, 1997 and 1996.

Community Development Lending

First Southwestern has made a significant contribution to community development in this assessment area. The amount of funding provided for projects in the assessment area is excellent. First Southwestern made 18 community development loans totaling \$20,083,000. The bank made 14 loans totaling \$13,158,000 for affordable housing; two of the loans totaling \$2,725,000 were for job creation. The other two loans (\$4,200,000) were for affordable care at a nursing home with some of the funding used for expansion and, ultimately, job creation.

First Southwestern also made 26 loans totaling \$5,096,350 which met the definition of community development but were reported in the small business loan totals. Specific examples that demonstrate the types of projects in which the bank has been involved are included in the lending test portion of the evaluation of the overall bank performance.

Product Innovation and Flexibility

First Southwestern is very responsive to the credit needs of the community, providing some flexible loan products. The bank offers flexible residential mortgage loan products to serve assessment area credit needs in addition to a flexible small business product through the State of Ohio Treasurer's office linked deposit program. The specifics regarding the types of products offered are included in the evaluation of

overall bank performance. All of the flexible loan products discussed in this evaluation are available in this assessment area. Specific data regarding number of loans and dollar amounts extended at the assessment area level was not available.

INVESTMENT TEST

Major Conclusions:

- The institution has an adequate level of qualified community development investments and grants. However, the bank rarely takes a leadership position in these investments/grants, particularly in those that are not routinely provided by private investors. First Southwestern provides seed money to most of the community development organizations in their assessment area through grants and donations. Without the support of First Southwestern and other such donors, many of these agencies would not be able to continue to provide needed services to this assessment area.
- The institution exhibits adequate responsiveness to credit and community economic development needs. There is not a lot of opportunity for qualified investments in the bank's assessment area.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

First Southwestern purchased \$985,050 of Low-Income Housing Tax Credits (LIHTC) in 1994 in conjunction with the Royal Pines Housing Project in Middletown. This project provided 94 one or two bedroom units of affordable housing. The current balance of this investment is \$640,283.

From January 1996 through March 1998, First Southwestern made several grants and donations to organizations which provide community development services within their assessment area. A total of 41 community development organizations received grants and donations for \$248,581 during the evaluation period. These grants went to a variety of types of organizations including community development corporations, housing development and providers of health care, shelter and food.

SERVICE TEST

Major Conclusions:

- First Southwestern's delivery systems are readily accessible to essentially all portions of the institution's assessment area. Branches and ATMs are distributed throughout the entire assessment area.
- The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems. The institution has opened two and closed one branch office during this evaluation period. All of the offices were in middle-income census tracts.

- Services, including business hours, are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals. Service hours and products offerings are standardized and made available in all locations.
- The institution is a leader in providing community development services. All three community contacts mentioned the strong involvement of First Southwestern in the community.

Retail Services

The bank has 23 full service branches located in this assessment area. Nine or 39% of the bank's branches are located within middle-income geographies. Thirteen percent (13%) of the branches are in low-income census tracts with an additional 22% located in moderate-income areas. The remaining 26% of the branches are in upper-income tracts. This distribution compares favorably with the distribution of the different income level tracts in this MSA of 11% low-, 23% moderate-, 44% middle-, and 21% upper-income tracts.

First Southwestern opened two branches during 1996. One of these branches replaced a branch which was destroyed by fire late in 1995. First Southwestern also closed one branch during the evaluation period. The two new branches are located in middle-income census tracts and the branch which was closed was located in a middle-income census tract.

The bank maintains 24 full service ATMs. Three of the ATMs are at off-site locations with the other 21 at branch locations. The distribution of the ATMs shows that 21% of the machines are in low-income census tracts with another 29% of the machines in moderate-income census tracts. This distribution also compares favorably with the distribution of the different income level tracts in the assessment area.

First Southwestern offers some other alternative delivery services. The bank offers twenty-four hour telephone automated banking, including a bill payment feature, and bank-by-mail services. The bank has also established an Internet home page. This site is mainly informational at this time. For its loan applicants, First Southwestern will forward applications to an affiliated finance company when the applicant fails to qualify under conventional bank requirements.

The bank's service hours, including lobby hours, walk-up and drive-up hours are generally 9:00 a.m. to 4:30 p.m. Monday through Wednesday and 9:00 a.m. to 6:30 p.m. on Thursdays and Fridays. The downtown branches (in both Hamilton & Middletown) open at 8:30 a.m. every day, Monday through Friday. Most branches are open from 9:00 a.m. to 12:00 noon on Saturdays. ATMs are available twenty-four hours daily. There are no differences in the services available at the different locations.

Community Development Services

Employees of First Southwestern are very active with organizations which provide community development related loans and services to the assessment area. Many of these organizations address the housing needs of the low-income residents of this area. Some examples of activities and the organizations with which the employees are affiliated are included in the community development service discussion for the overall bank's performance.

Metropolitan Areas

Description of Institution's Operations in the Cincinnati Metropolitan Statistical Area - Ohio

This is a smaller area of activity for First Southwestern. This area comprises only 22 of the total 99 census tracts in the bank's assessment area. The bank operates only six of its 30 branches/offices within this MSA.

Cincinnati Assessment Area Profile:

First Southwestern operates in portions of Hamilton and Warren counties within this MSA. The assessment area includes three of the 217 census tracts in Hamilton county and 19 of the 29 census tracts in Warren county. The assessment area extends into these counties since the bank operates a branch in Hamilton county and four branches in Warren county. The bank did not include the entire counties or complete MSA in its assessment area since they are unable to service such a large area and do not have branches throughout most portions of these counties. The combined area consists of 22 census tracts. According to 1990 census information, the community is comprised of 1 (5%) moderate-, 14 (64%) middle- and 7 (32%) upper-income census tracts. There are no low-income tracts.

The total population of this area is 93,622 people in 26,655 families. Of this total, there are 3,324 (13%) low-, 4,075 (15%) moderate-, 6,948 (26%) middle-, and 12,311 (46%) upper-income families in the area. The population within this area is distributed among the census tracts as follows: 4% moderate-, 58% middle-, and 38% upper-income tracts. The HUD adjusted median family income for 1998 for this area is \$51,500.

There are 34,353 housing units in the area. The majority of housing consist owner-occupied units (72%). Only 23% of the housing units are occupied rental units. Ninety-seven percent (97%) of the owner-occupied units are in middle- and upper-income tracts. Only 3% of the owner occupied units are in moderate-income tracts. The median housing cost is \$80,288 and on average the housing is approximately 28 years old.

According to the business demographic data for this area, the distribution of businesses shows only 7% of the businesses are located in moderate-income census tracts. Middle- and upper-income tracts have 61% and 32% of the businesses, respectively. The distribution of small businesses (those with gross annual revenue less than \$1 million) mirrors the total business distribution. Seventy-three (73%) of the businesses in the assessment area have gross income less than \$1 million, 8% greater than \$1 million, with the remaining businesses' income unknown.

Of the total 379 farms in the entire assessment area, there are 118 farms in the Cincinnati MSA assessment area. Eighty-five (85) or 72% of these farms are in middle-income census tracts. Three

percent (3%) of the farms are in moderate-income tracts. The other 25% are in upper-income tracts. One hundred eight (108) of the 118 (92%) have revenue less than \$1 million with the other 10 farms' revenue unknown.

Competition in the assessment area is strong with Star Bank, N.A. (\$13.5 billion in total assets), Bank One, N.A. (\$24.5 billion in total assets), and The Fifth Third Bank (\$10 billion in total assets) having a strong market presence in the greater Cincinnati area. Keybank, N.A. (\$69 billion in total assets) also has several offices in the bank's assessment area.

Community contacts were not made in this area during the examination. This is not a significant portion of the overall bank assessment area.

Conclusions about Performance Tests in the Cincinnati Metropolitan Statistical Area - Ohio

- First Southwestern has done a good job of meeting the credit needs of this assessment area. Services are readily accessible throughout the assessment area including the moderate-income census tracts.

LENDING TEST

Major Conclusions:

- First Southwestern's lending levels reflect excellent responsiveness to assessment area credit needs.
- Community development lending is strong in the dollar amount contributed to the community.
- A large percentage of loans are made in the institution's assessment area.
- First Southwestern's geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The bank's distribution of borrowers reflects excellent penetration among retail customers of different income levels and business customers of different sizes, given the product lines offered by the bank.
- The bank offers flexible and innovative products.

Lending Activity

First Southwestern extended a significant amount of credit in the assessment area. As reflected in Table XII, "Volume of Loan Originations Inside the Assessment Area," the bank made 308 loans totaling \$22.5 million in the Cincinnati assessment area during the evaluation period. First Southwestern's largest products, by number of loans made in the evaluation period, are HMDA loans at 153, and small business loans (152). However, in terms of the dollar volume, small business lending is the bank's largest product type, with \$12,104,000, and HMDA with \$7,813,000 in originations. First Southwestern extended \$2.5 million for community development projects from January 1996 through March 1998.

Table XII - Volume of Loan Originations Inside the Assessment Area								
Type of Loan	YTD 3/98		1997		1996		Total YTD 3/98, 1997 & 1996 Combined	
	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)
Home Purchase	1	\$88	13	\$1,088	14	\$1,345	28	\$2,521
Home Improvement	6	\$33	39	\$431	20	\$175	65	\$639
Refinance	15	\$1,156	25	\$1,950	20	\$1,547	60	\$4,653
Multi-Family	0	\$0	0	\$0	0	\$0	0	\$0
Total HMDA	22	\$1,277	77	\$3,469	54	\$3,067	153	\$7,813
Small Business	21	\$1,955	90	\$6,858	41	\$3,291	152	\$12,104
Small Farm	0	\$0	0	\$0	1	\$50	1	\$50
Community Development	0	\$0	0	\$0	2	\$2,500	2	\$2,500
Total Loans	43	\$3,232	167	\$10,327	98	\$8,908	308	\$22,467

Source: HMDA-LAR, CRA Data Listing Report, and Internal Bank Reports.

First Southwestern's excellent responsiveness to assessment area credit needs is further supported by their market rank for HMDA and small business lending. During 1996, First Southwestern's market share of 1% resulted in a market rank in their Cincinnati assessment area for HMDA lending of 35th out of 288 institutions. The bank's market share of 1% ranked 14th out of 90 institutions for small business lending. This is considered reasonable in relation to the level of operations conducted by the bank in this area.

Geographic Distribution of Loans Within the Assessment Area

The distribution of loans made by First Southwestern during the evaluation period is good. The bank made 3% of its loans in moderate-income tracts. Five percent (5%) of the census tracts in the assessment area are designated moderate-income and there are no low-income census tracts. Only 4% of the population lives in these tracts. Only 7% of the businesses in the assessment area are in moderate-income tracts. Considering the disparity in these demographic facts, this level of lending in these tracts is considered good.

First Southwestern's home mortgage lending in low- and moderate-income census tracts is good compared to the level of owner-occupied housing units in these areas. Only 3% of the owner-occupied units in the bank's assessment area are located in moderate-income census tracts. First Southwestern originated 2% of its HMDA reportable loans in moderate-income census tracts. As indicated in Table XIII, "Geographic Distribution of Loans Inside the Assessment Area," First Southwestern's originations by product type show little activity in the moderate-income tract; however, considering there is only one moderate-income tract, and the distribution of housing units in the assessment area, this is considered reasonable. We compared the bank's level of lending to the distribution of owner-occupied housing units because this is a more meaningful analysis for HMDA reportable products.

First Southwestern did not make any multi-family loans in this assessment area; however, there are only 3,538 such units in the assessment area. Aggregate data for 1996 for this area shows that only three multi-family loans were made in this area by all lenders combined for the entire year. Aggregate data for 1997 and 1998 are not yet available.

First Southwestern's small business lending distribution is also good. Three percent (3%) of First Southwestern's small business loans were made to businesses located in moderate-income census tracts. According to the business demographic data for the assessment area, only 7% of the small businesses are located in moderate-income census tracts. First Southwestern's distribution of loans to businesses located in moderate-income census tracts is reasonable considering the number of businesses located in these tracts.

In addition, First Southwestern's proportion of community development lending in moderate-income census tracts is excellent. Fifty percent (50%) of community development loans were made in moderate-income census tracts. This distribution demonstrates the bank's commitment to provide affordable housing and development, primarily to help restore quality neighborhoods in moderate-income census tracts.

**Table XIII - Geographic Distribution of Loans by Census Tract Income Level
Inside the Assessment Area
From January 1996 through March 1998**

Type of Loan	Income Level of Census Tract							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	N/A	N/A	0	0%	14	50%	14	50%
Home Improvement	N/A	N/A	3	5%	39	60%	23	35%
Refinance	N/A	N/A	0	0%	28	47%	32	53%
Multi-Family	N/A	N/A	0	0%	0	0%	0	0%
Total HMDA Loans	N/A	N/A	3	2%	81	53%	69	45%
Small Business	N/A	N/A	4	3%	95	62%	54	35%
Community Development	N/A	N/A	1	50%	0	0%	1	50%
Total Loans	N/A	N/A	8	3%	176	57%	124	40%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996.

Note: Percentages may not equal 100% since the income level of the census tract is unavailable for some loans.

Distribution by Borrowers' Income Inside the Assessment Area

The distribution of borrowers reflects strong penetration among retail customers of different income levels, given the product lines offered by the institution. Lending to businesses of different sizes is considered excellent.

First Southwestern's loan distribution shows that 12% of HMDA loans were made to low-income individuals, and 21% were made to moderate-income borrowers. The make-up of the assessment area shows 13% low-, 15% moderate-, 26% middle- and 46% upper-income families in the area. Considering that 5% of the households in the assessment area are below the poverty level, the opportunity to extend home mortgage credit to low-income borrowers is reduced. Those households would have a limited ability to assume debt obligations. Therefore, the combined percentage of lending to low- and moderate-income borrowers of 33% is considered excellent since it exceeds the relative opportunity of 28% of the families in the assessment area. The lower level of First Southwestern's home mortgage lending to low-income borrowers is good, upon consideration of the number of families living below the poverty level.

**Table XIV - Distribution by Borrower's Income Level
Inside the Assessment Area
From January 1996 through March 1998**

Type of Loan	Income Level of Borrower							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	2	7%	11	39%	2	7%	11	39%
Home Improvement	13	20%	16	25%	23	35%	13	20%
Refinance	4	7%	5	8%	21	35%	28	47%
Total HMDA Loans*	19	12%	32	21%	46	30%	52	34%

Source: First Southwestern's HMDA-LAR for 1998, 1997 and 1996.

*Excludes Multi-family loans

Note: Percentages may not equal 100% since the income level of the borrower is unavailable for some loans.

As reflected in Table XV, "Distribution of Small Business Originations From January 1996 through March 1998 Inside the Assessment Area By Loan Size and Business Revenues," First Southwestern's origination of small business loans reflects an excellent distribution. When considering the dollar size of the loans, 78% were less than \$100 thousand. In addition, 80% of First Southwestern's small business loans were made to businesses with revenues less than \$1 million. This level of performance is considered excellent given the distribution in the size of businesses in the assessment area.

**Table XV - Distribution of Small Business Originations From January 1996 through March 1998
Inside the Assessment Area By Loan Size and Business Revenues**

Loan Size					Annual Revenues		
	less than \$100,000	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Total Loans	< \$1 Million	> \$1 Million	Unknown
Number	118	22	12	152	122	18	12
% of #	78%	14%	8%	100%	80%	12%	8%
Dollars (in 000's)	3,403	3,765	4,936	12,104	8,321	2,770	1,013
% of \$	28%	31%	41%	100%	69%	23%	8%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:					Revenues < \$1 Million		73%
					Revenues > \$1 Million		8%
					Revenues Unknown		19%

Source: First Southwestern's CRA Data Listing reports for 1998, 1997 and 1996.

Community Development Lending

First Southwestern has made a strong contribution to community development in this assessment area. There is very little of this type of activity in this area. For example, based on 1996 aggregate HMDA data, only 3 multi-family loans were made in this area. First Southwestern made two community development loans for \$2,500,000 in this area. One loan for \$1,400,000 was for affordable housing and the other loan, for \$1,100,000, was for job creation (22 new jobs).

The bank also made two loans for \$943,000 which met the definition of community development but because of the original amount were reported as small business loans. Specific examples which demonstrate the types of projects in which the bank has been involved are included in the lending test portion of the evaluation of the overall bank performance.

Product Innovation and Flexibility

First Southwestern is very responsive to the credit needs of its assessment area, offering some flexible loan products. The bank offers flexible residential mortgage loan products to serve assessment area credit needs. First Southwestern also offers a flexible small business product through the State of Ohio Treasurer's office linked deposit program. The specifics regarding the types of products offered are included in the evaluation of overall bank performance. All of the flexible loan products discussed in this evaluation are available in this assessment area. Specific data regarding number of loans and dollar amounts extended at the assessment area level was not available.

INVESTMENT TEST

Major Conclusions:

- The institution has an inadequate level of qualified community development investments and grants. The bank does not take a leadership position in the investments/grants, particularly in those that are not routinely provided by private investors. Although there are not a lot of community development organizations in this assessment area, the bank's dollar amount and number of investments is very small.
- The institution exhibits inadequate responsiveness to credit and community economic development needs. Although there is a limited amount of opportunity for qualified investments in the bank's assessment area, the level of investment is extremely low.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

First Southwestern has a limited presence in this assessment area; however, the level of investment in the area is insufficient. From January 1996 through March 1998, First Southwestern made only two donations totaling \$300 to organizations which provide community development services within this assessment area. Although the bank does not conduct a large amount of business in the area, this level of qualified grants and donations is not responsive to the needs in this community. While these grants and donations promote community development in the bank's assessment area, this is a very limited amount of investment by the bank.

SERVICE TEST

Major Conclusions:

- First Southwestern's delivery systems are readily accessible to essentially all portions of the institution's assessment area. Branches and ATMs are distributed throughout the entire assessment area.

- The institution has not opened or closed any branch offices during this evaluation period.
- Services, including business hours, are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals. Service hours and products offerings are standardized and made available in all locations.
- First Southwestern is a leader in providing community development services. There is little opportunity for this activity in this area; however, the bank is involved with the organizations which are located in this area.

Retail Services

The bank has only five full service branches in this assessment area. Four of the branches or 80% of the bank's branches are located within middle-income geographies. The other 20% of the branches are in an upper-income census tract.

The bank maintains six full service ATMs. One of the ATMs is at an off-site location with the other five at branch locations. The distribution of the ATMs shows that 83% of the machines are in middle-income census tracts with another 17% of the machines in upper-income census tracts. This distribution is reasonable since there are no low-income tracts and only one moderate-income tract in this assessment area.

First Southwestern offers some other alternative delivery services. The bank offers twenty-four hour telephone automated banking, including a bill payment feature, and bank-by-mail services. The bank has also established an Internet home page. This site is mainly informational at this time. For its loan applicants, First Southwestern will forward applications to an affiliated finance company when the applicant fails to qualify under conventional bank requirements.

The bank's service hours, including lobby hours, walk-up and drive-up hours are generally 9:00 a.m. to 4:30 p.m., Monday through Wednesday, and 9:00 a.m. to 6:30 p.m. on Thursdays and Fridays. Most branches are open from 9:00 a.m. to 12:00 noon on Saturdays. One branch of the bank is open for six hours on Sundays. ATMs are available twenty-four hours daily. There are no differences in the services available at the different locations.

Community Development Services

Employees of First Southwestern are very active with organizations which provide community development services to the assessment area. Many of these organizations address the housing needs of the low-income residents of this area. Some examples of activities and the organizations with which the employees are affiliated are included in the community development service discussion for the overall bank's performance.