



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**1st National Bank
Charter No. 8709**

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

Office of the Comptroller of the Currency

**Central District Office
One Financial Place, Suite 2700
Chicago, Illinois 60605**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **1st National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 21, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**.

1st National Bank exhibits a satisfactory performance record. This rating is supported by:

- A substantial majority of the real estate loans (92%) and small business loans sampled (100%) were within the bank's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable compared to the bank's peers.

The following table indicates the performance level of 1st National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>1st NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

1st National Bank, with assets of \$60 million, has a total of 8 banking offices. The main office is in Lebanon, Warren County, Ohio. Two of the branches are located in Warren County, two in Butler County, two in Hamilton County, and one in Clermont County. The bank also maintains automatic teller machines (ATMs) at 6 of their offices. There are no offsite ATMs.

1st National Bank's primary business focus has been to serve the community through real estate lending, both residential and small business. They offer a variety of lending products to accommodate borrowers within their assessment area (AA). At September 30, 1996, the loan portfolio consisted of the following loan types:

	% OF GROSS LOANS
Residential Real Estate	46%
Commercial Real Estate	43%
Commercial Loans	2%
Individual Loans	4%
Agricultural Loans	.03%
Other Loans	5%

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AA. 1st National Bank's last CRA rating as of November 25, 1993 was "Satisfactory Record of Meeting Community Credit Needs." The bank's lending performance for 1993, 1994, 1995, and year-to-date 1996 was reviewed in detail.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of 45 census tracts in Cincinnati MSA (Metropolitan Statistical Area) 1640 and 26 census tracts in Dayton MSA 3200. Of the 71 census tracts, 29 are located in Warren County (the entire county), 6 in Hamilton County, 10 in Clermont County, and 26 in Butler County. The 71 census tracts are characterized as follows: three low income (4%), fourteen moderate income (20%), thirty-four middle income (48%), nineteen upper income (27%), and the income level for one census tract is not applicable (1%). There are a total of 114,959 housing units in the bank's AA with 78,888 or 68% being owner occupied units. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

The median family income is \$37,396. The bank's AA has a population of 308,389. The distribution of families in income categories is as follows: 16% are low income, 16% are moderate income, 23% are middle income, and 45% are upper income.

The local economy is considered strong. Competition is provided by one local financial institution and branches of larger financial institutions.

We conducted one interview with an individual from the Warren County Commissioner's office to ascertain the credit needs of the community. The community contact interview did not identify any unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

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

During the past 12 quarters (12/31/93 to 9/30/96) the bank's loan-to-deposit ratio went from 61.61% on December 31, 1993 to 77.79% on September 30, 1996, with an average loan-to-deposit ratio of 70.50%. Similarly situated institutions based upon asset size which are located in Ohio had a loan-to-deposit ratio of 69.17% as of 9/30/96. The bank's ratio of 77.79% compares favorably to the peer banks' ratio at the same date.

The bank began selling real estate loans in the secondary market in March 1996. Year to date 9/30/96, the volume has been minimal with no significant impact on the loan portfolio. They are attempting to sell approximately 60-65% of the loans.

Lending in Assessment Area

A substantial majority of loans are in the bank's assessment area.

The following table shows the number and dollar percentage of real estate loans and small business loans sampled made inside the bank's AA from 9/30/93 to 9/30/96. All of the small business loans sampled were made in MSA 1640. Eighty-seven percent of the real estate loans made in the AA were from MSA 1640 and 13% were from MSA 3200.

Lending In Assessment Area				
Loan Category	#	%	\$	%
Real Estate	110	87%	10176	92%
Small Business	25	100%	4048	100%

A sample of the bank's small business loans originated from 9/30/93 through 9/30/96 was taken to determine the percentage of lending within the bank's AA. We sampled 16% of the small business loans originated during that period. Real estate loan totals listed in the table are 100% of those originated in the same period. We also sampled 2 small farm loans totaling \$273,000 (97% of originations) for the same period. One of them (\$260,000 or 95%) was

located within the AA. The bank's assessment area is not considered to be a large farming community.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

The following table shows the distribution of real estate loans among borrowers of different incomes within the AA. The percentage of real estate loans to low and moderate income families is lower than the percentage of those families in the bank's AA. However, seventy-five percent of the census tracts in the bank's AA consist of middle and upper income. Therefore, the majority of loans made were to middle and upper income borrowers. This is consistent with the demographic make up of the AA.

Distribution of Real Estate Loans Among Individuals								
Type of Loan	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
MSA 1640	4%	2%	12%	7%	32%	30%	52%	61%
MSA 3200	7%	4%	7%	6%	29%	29%	57%	61%
AA	16%		16%		23%		45%	

We sampled 25 small business loans (16%) and 2 small farm loans (97%) originated between 9/30/93 and 9/30/96. All of business loans sampled are considered to be small businesses.

The following table is the distribution among different sizes of businesses, and it shows that loans were made to businesses of all sizes, with 63% of the sample being made to small businesses and farms with gross revenues less than \$250,000.

Distribution of Small Business Loans and Small Farm Loans - MSA 1640				
Revenue (in \$000's)	#	%	\$	%
<100	8	30%	1043	24%
100-250	9	33%	1007	23%
250-1000	7	26%	1762	41%
>1,000	3	11%	509	12%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout its assessment area.

The following table is the distribution of real estate loans and small business loans between census tracts within the bank's AA. Sixty-two percent of the census tracts in MSA 1640 in the bank's AA are middle income. The bank makes the majority of its loans to individuals located in middle income census tracts in MSA 1640. Thirty-eight percent of the census tracts in MSA 3200 in the bank's AA are moderate income, 23% are middle income, and 27% are upper income. Although our small business loan sample did not include any loans made in MSA 3200, 5.67% of the total small business loans made from 9/30/93 through 9/30/96 were made in MSA 3200.

Geographic Distribution of Loans								
Type of Loan	Low Income Census Tract		Moderate Income Census Tract		Middle Income Census Tract		Upper Income Census Tract	
	#	\$	#	\$	#	\$	#	\$
Real Estate MSA 1640	0%	0%	8%	8%	80%	71%	12%	21%
Real Estate MSA 3200	14%	10%	43%	40%	14%	11%	29%	39%
Small Business MSA 1640	0%	0%	8%	12%	48%	40%	44%	48%

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the AA.

Other Considerations

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.