

# **PUBLIC DISCLOSURE**

April 14, 2003

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Fifth Third Bank of Northern Kentucky  
138510  
8100 Burlington Pike  
Florence, KY 41042

Federal Reserve Bank of Cleveland

P.O. Box 6387  
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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION'S CRA RATING

### INSTITUTION'S CRA RATING: SATISFACTORY

The following table indicates the performance level of Fifth Third Bank, Northern Kentucky, with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Fifth Third Bank Northern Kentucky		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

The major factors and criteria contributing to this rating include:

- Lending levels reflect adequate responsiveness to assessment area credit needs.
- A high percentage of loans are made in the bank's assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The borrower-income distribution for HMDA-reportable loans reflects a good penetration among customers of different income levels
- The geographic distribution for small business loans is also considered excellent.
- The distribution of loans to small businesses of various revenue sizes is considered good.
- A good record of serving the credit needs of very small businesses.
- A high level of community development loans.
- A good distribution of retail banking offices.
- A high level of community development services.
- A high level of community investments.

The previous CRA examination on March 5, 2001 resulted in a "Satisfactory" performance rating.

## DESCRIPTION OF INSTITUTION

Fifth Third Bank of Northern Kentucky ("FTB") is a subsidiary of Fifth Third Bancorp ("FTBC"). FTB is located in Florence, Kentucky and FTBC is located in Cincinnati, Ohio. Fifth Third Bancorp is a \$80.9 billion financial holding company, which places its assets among the 30 largest bank holding companies in the country and among the 15 largest in market capitalization. FTBC owns six bank subsidiaries with operations in Florida, Indiana, Kentucky, Ohio, Michigan, Tennessee and West Virginia. FTBC also owns non-bank subsidiaries, including a mortgage company, community development corporation, insurance company, merchant transaction processing company and an ATM network service provider, and all are part of the lead bank, Fifth Third Bank in Ohio.

FTB offers a broad range of commercial and retail banking products and services, including small business lending, direct and indirect consumer lending, residential mortgage lending, home equity lending, and credit card lending. Fifth Third Bank of Northern Kentucky reported assets of \$1.4 billion as of December 31, 2002. Net loans and leases constitute approximately 46.0% of total assets, a decline from 53.0% at the time of the last exam. Real estate loans account for 14.2%, commercial loans are 17.3%, and consumer loans equated to 9.4% of assets.

The decline in FTB's portfolio is attributed to the Bancorp's restructuring of first lien mortgage business. Fifth Third Mortgage Company now originates all first lien mortgages. This is different than how mortgage lending was conducted at the previous exam. As a result, fewer mortgage loans are recorded by FTB; however, the mortgage company loans are included as part of the Lending Test evaluation.

FTB operates 29 banking offices throughout its northern Kentucky assessment area, which encompasses all of the Kentucky counties of the Cincinnati-Hamilton CMSA. As of June 30, 2002, total deposits in the assessment area equaled \$1 billion. The bank's deposit share was 23.4%, ranking FTB first in market share. A more detailed discussion of the assessment area is offered later in this report.

The following chart presents several key financial ratios for the bank. FTB is a profitable financial institution, with a Return on Average Assets well above its peers. The Net Loan & Leases to Total Deposit ratio increased since the previous exam, indicating the bank has reinvested a majority of its deposits in loans and leases. Additionally, the financial ratios indicate that a substantial percentage of the bank's assets are held in the form of investments.

<b>Key Financial Ratios as of December 31, 2002</b>	
Return of Average Assets	1.88%
Net Loans & Leases to Average Assets	46.80%
Investments to Average Assets	48.30%
Total Deposits to Average Assets	81.40%
Net Loans & Leases to Total Deposits	57.40%
1-4 Family Residential Loans to Average Loans	14.04%
Consumer Loans to Average Loans	19.10%
Commercial Loans to Average Loans	28.92%
Agricultural Loans to Average Loans	.2%

Based on FTB's assets size and financial condition, it has the ability to meet the credit needs of its assessment areas. There are no legal or other impediments that would hamper the bank's ability to meet the community's credit needs.

The bank's assessment area consists of a portion of the Cincinnati-Hamilton Consolidated Metropolitan Statistical area ("CMSA"). The Cincinnati Primary Metropolitan Statistical area ("PMSA") 1640 is a multi-state PMSA which includes Brown, Clermont, Hamilton, and Warren counties in Ohio; Boone, Campbell, Gallatin, Grant, Kenton, and Pendleton counties in Kentucky; and Dearborn and Ohio counties in Indiana. The bank has defined its assessment area as the northern Kentucky portion of the PMSA. Within the assessment area, there are four low-income census tracts, 23 moderate-income census tracts, 42 middle-income census tracts, and 16 upper-income census tracts. This MSA includes major population centers like the cities of Covington, Florence, Newport, Dayton, and Bellevue, all along the Ohio River. These major northern Kentucky urban centers comprise significant parts of Boone, Kenton and Campbell counties. The remaining counties – Gallatin, Grant and Pendleton – are significantly less populated and more rural.

According to the 2000 census data, the population of the northern Kentucky assessment area is 353,454. This is an increase of about 18% from the 1990 census. Kenton County has the largest population at 151,366, with Boone and Campbell counties having populations of 90,489 and 88,362, respectively. Population projections for Northern Kentucky are 378,151 in 2010 and 439,922 in 2020.

The Median Family Income (MFI) for the Cincinnati, OH-KY-IN MSA was \$36,658 in 1990. This income was used to determine the income level for each census tract of the assessment area under the "Geographic Distribution" section of the Lending Test in this evaluation. In addition, based upon estimates by the Department of Housing and Urban Development (HUD), the adjusted MFI figures for 2002 was \$64,300 for the northern Kentucky area. This income was used to define the income categories for each borrower under "Borrower Characteristics" of the Lending Test in this evaluation. An analysis of the assessment area's MFI income reveals that it is approximately 35% higher than the statewide MFI. When evaluating low-income borrower characteristics, the percentage of families below poverty at 8.6% is netted. The following table shows selected demographic data for the assessment area.

N O R T H E R N K E N T U C K Y A S S E S S M E N T A R E A									
D E M O G R A P H I C S									
2002 HUD Median Family Income (MSA): \$64,300  Income Categories Low Moderate Middle Upper NA Total	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
	4	4.7%	2,006	2.4%	909	45.3%	16,944	19.9%	
	23	27.1%	18,846	22.2%	3,191	16.9%	16,171	19.0%	
	42	49.4%	45,245	53.2%	2,807	6.2%	21,890	25.7%	
	16	18.8%	18,974	22.3%	432	2.3%	30,066	35.3%	
	0	0.0%	0	0.0%	0	0.0%	-	-	
	85	100.0%	85,071	100.0%	7,339	8.6%	85,071	100.0%	
	Housing Units by Tract								
	Total Units	#	Owner Occupied		Rental Occupied		Vacant		
		#	%	#	%	#	%		
Low	3,898	885	1.1%	22.7%	2,737	70.2%	522	13.4%	
Moderate	30,651	16,156	20.3%	52.7%	12,056	39.3%	3,426	11.2%	
Middle	62,399	43,151	54.3%	69.2%	17,447	28.0%	2,987	4.8%	
Upper	27,139	19,267	24.2%	71.0%	7,206	26.6%	1,308	4.8%	
NA	0	0	0.0%	0.0%	0	0.0%	0	0.0%	
Total	124,087	79,459	100.0%	64.0%	39,446	31.8%	8,243	6.6%	
Total Businesses by Tract Low Moderate Middle Upper NA Total	Total Businesses by Tract		Businesses by Tract and Revenue Size				Revenue not Reported		
	#	%	Under \$1 Million	Over \$1 Million			#	%	
			#	%	#	%			
	Low	333	1.8%	226	1.7%	28	2.5%	79	1.8%
	Moderate	3,915	21.1%	2,876	22.1%	228	20.7%	811	18.2%
	Middle	9,163	49.4%	6,506	50.1%	572	51.8%	2,085	46.8%
Upper	5,137	27.7%	3,385	26.1%	276	25.0%	1,476	33.2%	
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	18,548	100.0%	12,993	100.0%	1,104	100.0%	4,451	100.0%	
		Percentage of Total Businesses:							
				70.1%		24.0%			

Sources: 1990 Census Data, 2002 Dun & Bradstreet business demographic data. NA Tracts are tracts without household or family income.

The assessment area has experienced a generally positive economic climate and steady growth throughout the 1990's. According to local community contacts, the area benefits from an excellent infrastructure and access to major highway, rail, and air transportation systems. The area also offers many diverse employment opportunities. According to the U.S. Bureau of Labor Statistics, there has been a 15.4% growth in the labor force since 1990. During the 1990's, manufacturing, retail, and services industries, which make up approximately 62% of assessment area industries, have grown between two and three percent per year. According to the Kentucky Department of Labor, the 2002 unemployment rate for northern Kentucky was 3.6%. The unemployment rate for the metropolitan area in 2002 was 4.6% and in the U.S., the rate topped out at 5.8%. The northern Kentucky marketplace has ample opportunities for job retention and creation within the manufacturing, services, retail, finance, and insurance sectors. Some of the area's largest employers include Toyota, Fidelity Investments, Citibank, Ashland, Inc., Omnicare, and the Greater Cincinnati International Airport (located in Boone County). There are six Fortune 500 firms in the assessment area.

The rural segments of the assessment area – Grant, Gallatin and Pendleton counties – consist primarily of undeveloped rolling hills with livestock and tobacco farmland being the predominant features. While most other sectors of the economy have grown, the farming industry has shown a steady decline of approximately 3% per year in the 1990s. According to one community contact, many local farmers has sold all or a portion of their farms to real estate developers, who in turn have developed the majority of this land into market-rate housing. There has not been any development of affordable housing in these counties for some time.

### **SCOPE OF EXAMINATION**

This examination covers the period from January 1, 2001 through December 31, 2002. The lending test is based upon the following loan types originated or purchased by FTB:

- Loans reported under the Home Mortgage Disclosure Act ("HMDA"), including home purchase, home improvement, home refinance, and multi-family loans.
- Loans reported under the Community Reinvestment Act ("CRA"), including small business and small farm loans.

Loans originated by FTB were used to determine the bank's distribution of loans inside and outside of its assessment areas. In addition, loans originated or purchased by Fifth Third Mortgage Company for 2001 and 2002 were included in the evaluation of the bank's lending activity, geographic distribution, and borrower distribution. HMDA loans represented the largest portion of the lending activity for this analysis, with home refinance, home purchase, and home improvement loans, respectively, constituting the largest percentages. The multi-family loans are negligible and are not factored into the analysis.

Although FTB reported some small farm loans during the review period, the amount of lending was negligible and was not factored into the analysis.

The investment test includes investments, donations, and grants made by FTB through March 31, 2003. In addition, investments made by Community Development Corporation ("CDC") within the bank's assessment areas were also included in the analysis.

The scope of the examination is consistent throughout the evaluation, unless otherwise noted.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The lending performance for the institution overall is high satisfactory.

#### Lending Activity

FTB's overall lending activity reflects an adequate responsiveness to credit needs in its assessment areas. A comparison of HMDA loans reviewed in the prior examination (1999-2000) to those HMDA loans reviewed for this exam revealed that FTB experienced a significant shift in product focus from home purchase loans to home refinance loans. According to bank management, since the prior exam, product focus shifted as demand for home refinances increased. Home refinances increased by 60% since the previous examination and comprised 60% of the loans made during the current evaluation period. Therefore, home refinances were given greater consideration under the lending test.

FTB experienced a 54% drop in home purchase loans since the previous examination. Home purchase loans comprised 60% of the activity in the prior review period, but only 22% of the activity for the current period. From 2000 to 2001, home purchase loans fell 66.5%. FTB experienced the decline in home purchase lending in an environment in which interest rates were low, and other lenders were able to increase volume by 57.4%. In 2000, FTB's share of the home purchase market was 17.8%, but fell to only 6.5% in 2001.

Overall, the volume of home improvement loans declined 67% since the previous evaluation. The decline was due primarily to a shift in focus from closed-end home improvement loans to the more flexible home equity lines of credit. Only 3% of the HMDA-reportable transactions made during the current period were for home improvement, compared to 12% during the prior evaluation period. The decline in home improvement lending, however, is somewhat of an industry-wide occurrence as the aggregate for all lenders in the marketplace experienced a 24% decline between 2000 and 2001.

Small business loans showed a corresponding increase in volume during this timeframe. The number of small business loans increased 18% from 771 to 911, and the small business dollars increased 58% from \$104 million to \$166 million.

The following table shows the bank's total lending activity for the two-year period reviewed.

<b>Total Lending Activity for Fifth Third Bank of Northern Kentucky and Affiliates</b>				
<b>January 1, 2001 – December 31, 2002</b>				
	<b># of Loans</b>	<b>%</b>	<b>\$ ('000s)</b>	<b>%</b>
HMDA home purchase loans	1,296	22	154,316	20
HMDA refinances	3,640	60	452,353	58
HMDA home improvements	195	3	4,449	1
Total HMDA	5,131	85	611,118	79
Total small business	911	15	166,290	21
<b>TOTALS</b>	<b>6,042</b>	<b>100</b>	<b>777,408</b>	<b>100</b>

## Assessment Area Concentration

FTB experienced a drop in the percentage of loans made within its assessment area from the prior exam period. This decrease is attributable to the re-structuring of Fifth Third Mortgage originating all first-lien purchase money and refinances of the bank. The following tables illustrate that 77% of the loans are within its assessment area.

<b>LENDING INSIDE AND OUTSIDE ASSESSMENT AREA</b>				
<b>Loan Type</b>	<b>IN</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Small Business	911	75.0%	\$166,290	72.9%
HMDA	445	81.8%	\$20,304	86.3%
Farm	28	71.8%	\$617	61.8%
<i>Total In</i>	<i>1,384</i>	<i>77.0%</i>	<i>\$187,211</i>	<i>74.1%</i>
	<b>OUT</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Small Business	304	25.0%	\$61,810	27.1%
HMDA	99	18.2%	\$3,231	13.7%
Farm	11	28.2%	\$382	38.2%
<i>Total Out</i>	<i>414</i>	<i>23.0%</i>	<i>\$65,423</i>	<i>25.9%</i>

## Geographic Distribution

FTB has an adequate geographic distribution of loans within its assessment area. The bank's percentage of lending for HMDA products is significantly below the demographic characteristics for low- and moderate-income geographies within this assessment area. Small business lending on the other hand reflects excellent penetration throughout the assessment area.

FTB has a poor geographic distribution of home refinance loans within its assessment area. The bank's percentage of home refinance loans of .4% was significantly lower than the owner-occupancy rate of 1.1% in low-income geographies. The bank's percentage of home refinance loans in moderate-income areas was about 50% of the percentage of owner-occupied units in moderate-income geographies. In addition, the bank was outperformed by aggregate in both low- and moderate-income geographies. Compared to the 2001 aggregate data, the bank's lending garnered a .53% share of the low-income geographies and .73% of the moderate-income tracts.

FTB has an adequate geographic distribution of home purchase loans within its assessment area. The bank's percentage of home purchase loans fell below the percentage of owner-occupied units in both low- and moderate-income geographies for owner-occupied units. FTB's market share of home purchase loans in low-income geographies plunged in 2001 to 6.5% from 17.7% in 2000 as the bank addressed demand for products not as likely focused on in low- and moderate-income geographies.



FTB has an excellent geographic distribution of home improvement loans within this assessment area. Within the exam period, the bank's percentage of home improvement loans was significantly above the percentage of owner-occupied units in both low- and moderate-income geographies. In addition, the bank's percentage of lending in was above the aggregate of all lenders, in both low and moderate-income geographies. However, in 2002 the bank did not originate one home improvement loan in a low-income census tract. Home improvement lending only comprised 3% of the bank's data for review.

FTB has an excellent geographic distribution of small business loans within its assessment area. The bank's percentage of small business loans exceeded the percentage of businesses in low-income geographies, while the bank's percentage of small business loans approximated the percentage of businesses in moderate-income geographies. The bank outperformed the aggregate of loans by all lenders in both low- and moderate-income geographies.

### **Distribution by Borrower Income and Revenue Size of Business**

FTB has a good distribution of loans to borrowers of different incomes and businesses of different revenues. The bank's percentage of lending for home mortgage and small business is generally reflective of the demographic characteristics of the individuals and businesses within the assessment area. When considering the distribution of lending to low- and moderate-income families, the percentage of families below the poverty level was taken into consideration. Within the assessment area, 8.6% of the families are below the poverty level.

FTB's distribution of home refinance loans to low-income and moderate-income families is good. The percentage of loans to low-income borrowers at 6.5% is below the percentage of low-income families in the area at 11.3%, even when the demographic is adjusted for the poverty level. Additionally, the bank's lending to low-income borrowers represent only two-thirds of the aggregate lending. In lending to moderate-income borrowers, the bank performed better, achieving approximately 92% of the demographic. FTB achieved about 75% of the aggregate percentage of lending in the assessment area.

FTB has an excellent distribution of home purchase loans among borrowers of different income levels. FTB's percentage of home purchase loans to low-income and moderate-income borrowers exceeded the percentage of low-income families (net of those at or below poverty) in the assessment area. FTB originated 14.2% of home purchase loans to low-income borrowers and 30.34% to moderate-income borrowers. The bank's home purchase lending to low- and moderate-income borrowers exceeded the aggregate percentage of lending.

FTB's distribution of home improvement loans to low-income and moderate-income borrowers is good. The percentage of loans to low-income borrowers at 9.2% was slightly less than the percentage of low-income families when adjusted for those families at or below poverty. The percentage of loans to moderate-income borrowers at 29.7% exceeded the percentage of moderate-income families. The bank's home improvement lending to low-income borrowers was significantly below the aggregate lending, but considerably higher than aggregate with regard to moderate-income borrowers.

FTB has an excellent distribution of loans to businesses of various revenue sizes. The bank originated 64% of its small business loans to businesses with gross annual revenues of \$1 million or less. Of the small business loans, nearly half were originated in amounts of \$100,000 or less, while the remainder was about equally split between loans in amounts of \$100,001 to \$250,000 and \$250,001 to \$1,000,000. The high proportion of loans in the “less than \$100,000” category suggests that the bank is an active provider of credit to the smallest businesses in the area seeking credit to support their operations. Aggregate data for the calendar year 2001 tends to support this conclusion by showing that the bank originated 69.5% of all loans to small businesses compared to 39.2% for all reporting lenders.

### **Community Development Lending**

In the two-year period reviewed, FTB originated 14 qualifying community development loans totaling \$10.4 million. This is a decrease from the \$14.5 million in the last exam, which included one credit for \$13.2 million. The majority of credits submitted for review are renewals of lines-of-credit, some including new money. The other credits were notes and bond anticipations. FTB demonstrates an adequate level of community development lending. The following table indicates the number and dollar amount of loans by community development purpose.

<b>Community Development Purpose</b>	<b>Number of Loans</b>	<b>Amount of Loans (\$000)</b>
Affordable Housing for LMI Individuals	1	\$1,000
Community Services for LMI Individuals	6	\$4,077
Revitalization or Stabilization of LMI Geographies	7	\$5,345

### **INVESTMENT TEST**

FTB has a high level of qualified community development investments and grants compared to the last review period. The bank funded \$2.8 million in investments during the two-year period reviewed. They made investments of \$1.4 million in an LMI loan pool through Freddie Mac, and \$1.0 million in a mortgage-backed security. Fifth Third Community Development Corporation (“CDC”), a subsidiary of Fifth Third Bancorp, funded \$439,804 in low income housing tax credits in northern Kentucky for the period reviewed. In addition, the bank made a total of \$252,739 in donations through the bank and the Fifth Third Foundation.

By using the strength of the Bancorp and the CDC, the bank is positioned to make investments having a significant community development impact. Although FTB increased investments since the prior exam, they seldom take a leadership position in initiating and implementing projects. The bank occasionally uses innovative and/or complex investments to support community development initiatives. As described in community development services, the bank is very active in helping community development organizations build capacity, which should present additional investment opportunities.

## SERVICE TEST

The service performance of FTB is considered high satisfactory. The bank's offices are reasonably accessible, the bank makes use of alternative delivery systems, and the bank has a high level of community development services.

### **Retail Services**

FTB's banking offices are reasonably accessible to geographies and individuals of different income levels in its assessment area. The bank has no banking offices in low-income geographies, but less than 3% of the population lives within these geographies. The distribution of branches in moderate-income geographies slightly exceeds the percentage of the population living within the moderate-income geographies. Some of the branches located in middle- and upper-income geographies are in reasonable proximity to the low- and moderate-income geographies.

FTB has not opened or closed any banking offices since the previous examination. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems.

Banking services and business hours do not vary in a way that inconveniences the bank's assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.

In addition to banking locations, FTB provides a variety of alternative delivery services. However, these alternative delivery systems are primarily targeted to provide access to deposit accounts and bill payment services. The alternative delivery services do not enhance access to credit.

FTB operates ATMs that provide 24-hour access at both its banking locations and at stand-alone locations throughout the assessment area. The bank also has a Jeanie Van Mobile Unit, which is a portable ATM machine that is used at special events throughout the Bancorp. This unit provides bank and non-bank customers with access to funds during these events.

The Jeanie Telephone Banking Center is a personal service that allows customers to pay monthly bills, such as utilities and credit/charge cards, and to place stop payments using a touch tone telephone. This service is available 24 hours a day, seven days a week.

Bill Payer 2000 allows customers to make installment loan payments electronically, rather than by mail. The service is free to checking account customers.

Basic Banking is a low cost checking account designed for those customers who only write a few checks per month. Similar checking accounts are available for senior citizens and students. Benefits include:

- No charge for the first five checks per month
- No charge for Fifth Third Jeanie ATM or POS transactions, Money Management transfers, CheckCard Plus transactions, or ACH debits each statement period
- No charge for Jeanie Telephone Banking
- No charge for Jeanie Telephone Bill Payment

## **Community Development Services**

FTB officers and staff are active in organizations working to address the affordable housing and community development needs that exist within the assessment area, providing a relatively high level of community development services by providing financial expertise to individuals, businesses, and non-profit organizations.

Some examples of organizations promoting community development to which bank officers and employees provide community development services are the following: Welcome House of Northern Kentucky, a non-profit organization providing care and assistance to the homeless; Madison E-Zone, an incubator for small business start-ups in the City of Covington; the Brighton Center, a community development and social services agency with a thirty-four year track record in affordable housing development, workforce training and social services; the SouthBank Fund, a non-profit CDFI; and Housing Opportunities of Northern Kentucky, developer of homes for low-income individuals.

In addition, the bank regularly conducts training courses to educate borrowers on the home buying process and the importance of maintaining good credit. The bank also provides technical expertise to small businesses on developing business and financing plans. The bank provides its lending expertise to non-profit organizations by participating on loan committees that evaluate applications from for-profit and non-profit developers for funding.

FTB provides assistance to non-profit organizations to obtain and expand their capacity and financial resources. The bank provides workshops on the process for obtaining grants from the Fifth Third Foundation. The bank also assists these organizations in developing a financing plan, establishing working capital lines, and strategies for mezzanine financing.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. The bank has implemented fair lending policies, procedures, and training programs and regularly conducts internal reviews for compliance with policies and procedures.

## APPENDIX A

### CRA GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all lenders, subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Block numbering area (“BNA”):** Statistical subdivisions of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable 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 (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies,

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male household and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (“HMDA”):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100% tabulations, the count of households always equals the count of occupied housing units.

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

**Limited review:** Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Metropolitan area:** Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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.

**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.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Optional loans:** Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

**APPENDIX B**  
**TABLES**



NORTHERN KENTUCKY ASSESSMENT AREA									
DEMOGRAPHICS									
2002 HUD Median Family Income (MSA): <b>\$64,300</b>	Tract Distribution		Families						
	#	%	Families by Tract		Families-Poverty as a % of Families by Tract		Families by Family Income		
<b>Income Categories</b>	#	%	#	%	#	%	#	%	
Low	4	4.7%	2,006	2.4%	909	45.3%	16,944	19.9%	
Moderate	23	27.1%	18,846	22.2%	3,191	16.9%	16,171	19.0%	
Middle	42	49.4%	45,245	53.2%	2,807	6.2%	21,890	25.7%	
Upper	16	18.8%	18,974	22.3%	432	2.3%	30,066	35.3%	
NA	0	0.0%	0	0.0%	0	0.0%	-	-	
<b>Total</b>	<b>85</b>	<b>100.0%</b>	<b>85,071</b>	<b>100.0%</b>	<b>7,339</b>	<b>8.6%</b>	<b>85,071</b>	<b>100.0%</b>	
<b>Housing Units by Tract</b>									
	Total Units	Owner Occupied		Rental Occupied		Vacant			
	#	#	%	#	%	#	%	%	
Low	3,898	885	1.1%	22,773	22.7%	2,737	70.2%	522	13.4%
Moderate	30,651	16,156	20.3%	52,773	52.7%	12,056	39.3%	3,426	11.2%
Middle	62,399	43,151	54.3%	69,273	69.2%	17,447	28.0%	2,987	4.8%
Upper	27,139	19,267	24.2%	71,073	71.0%	7,206	26.6%	1,308	4.8%
NA	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>124,087</b>	<b>79,459</b>	<b>100.0%</b>	<b>64,073</b>	<b>64.0%</b>	<b>39,446</b>	<b>31.8%</b>	<b>8,243</b>	<b>6.6%</b>
<b>Total Businesses by</b>									
	Tract		Under \$1 Million		Over \$1 Million		Revenue not Reported		
	#	%	#	%	#	%	#	%	
Low	333	1.8%	226	1.7%	28	2.5%	79	1.8%	
Moderate	3,915	21.1%	2,876	22.1%	228	20.7%	811	18.2%	
Middle	9,163	49.4%	6,506	50.1%	572	51.8%	2,085	46.8%	
Upper	5,137	27.7%	3,385	26.1%	276	25.0%	1,476	33.2%	
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>18,548</b>	<b>100.0%</b>	<b>12,993</b>	<b>100.0%</b>	<b>1,104</b>	<b>100.0%</b>	<b>4,451</b>	<b>100.0%</b>	
<b>Percentage of Total Businesses:</b>				<b>70.1%</b>			<b>6.0%</b>	<b>24.0%</b>	

Sources: 1990 Census Data, 2002 Dun & Bradstreet business demographic data.  
NA Tracts are tracts without household or family income.

NORTHERN KENTUCKY ASSESSMENT AREA								
LENDING								
Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$	%	#	%	\$	%
Low	9	0.7%	796	0.5%	184	14.2%	12,654	8.2%
Moderate	179	13.8%	13,476	8.7%	365	28.2%	32,495	21.1%
Middle	688	53.1%	86,098	55.8%	308	23.8%	36,244	23.5%
Upper	420	32.4%	53,946	35.0%	346	26.7%	60,543	39.2%
NA	0	0.0%	0	0.0%	93	7.2%	12,380	8.0%
<b>Total</b>	<b>1,296</b>	<b>100.0%</b>	<b>154,316</b>	<b>100.0%</b>	<b>1,296</b>	<b>100.0%</b>	<b>154,316</b>	<b>100.0%</b>
	Refinance							
	#	%	\$	%	#	%	\$	%
Low	14	0.4%	1,028	0.2%	237	6.5%	14,418	3.2%
Moderate	355	9.8%	29,657	6.6%	635	17.4%	51,721	11.4%
Middle	1,916	52.6%	228,246	50.5%	885	24.3%	93,551	20.7%
Upper	1,355	37.2%	193,422	42.8%	1,201	33.0%	202,860	44.8%
NA	0	0.0%	0	0.0%	682	18.7%	89,803	19.9%
<b>Total</b>	<b>3,640</b>	<b>100.0%</b>	<b>452,353</b>	<b>100.0%</b>	<b>3,640</b>	<b>100.0%</b>	<b>452,353</b>	<b>100.0%</b>
	Home Improvement							
	#	%	\$	%	#	%	\$	%
Low	4	2.1%	96	2.2%	18	9.2%	223	5.0%
Moderate	44	22.6%	1,037	23.3%	58	29.7%	992	22.3%
Middle	100	51.3%	1,872	42.1%	68	34.9%	1,398	31.4%
Upper	47	24.1%	1,444	32.5%	48	24.6%	1,557	35.0%
NA	0	0.0%	0	0.0%	3	1.5%	279	6.3%
<b>Total</b>	<b>195</b>	<b>100.0%</b>	<b>4,449</b>	<b>100.0%</b>	<b>195</b>	<b>100.0%</b>	<b>4,449</b>	<b>100.0%</b>
	Multi-Family							
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	10.0%	297	10.9%	0	0.0%	0	0.0%
Middle	7	70.0%	1,579	57.9%	0	0.0%	0	0.0%
Upper	2	20.0%	849	31.2%	0	0.0%	0	0.0%
NA	0	0.0%	0	0.0%	10	100.0%	2,725	100.0%
<b>Total</b>	<b>10</b>	<b>100.0%</b>	<b>2,725</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>	<b>2,725</b>	<b>100.0%</b>
	SMALL BUSINESS				SMALL FARM			
	By Tract Income							
	#	%	\$	%	#	%	\$	%
Low	26	2.9%	3,484	2.1%	0	0.0%	0	0.0%
Moderate	186	20.4%	26,956	16.2%	27	96.4%	592	95.9%
Middle	479	52.6%	94,999	57.1%	1	3.6%	25	4.1%
Upper	220	24.1%	40,851	24.6%	0	0.0%	0	0.0%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>911</b>	<b>100.0%</b>	<b>166,290</b>	<b>100.0%</b>	<b>28</b>	<b>100.0%</b>	<b>617</b>	<b>100.0%</b>
	By Loan Size and Revenue							
<b>Loan Size:</b>	#	%	\$	%	#	%	\$	%
\$100,000 or less	480	52.7%	22,905	13.8%	27	96.4%	417	67.6%
\$100,001 - \$250,000	225	24.7%	39,928	24.0%	1	3.6%	200	32.4%
\$250,001 - \$1 Million*	206	22.6%	103,457	62.2%	0	0.0%	0	0.0%
<b>Total</b>	<b>911</b>	<b>100.0%</b>	<b>166,290</b>	<b>100.0%</b>	<b>28</b>	<b>100.0%</b>	<b>617</b>	<b>100.0%</b>
<b>Revenue:</b>								
\$1 Million or Less	583	64.0%	83,333	50.1%	28	100.0%	617	100.0%
Over \$1 Million	327	35.9%	82,781	49.8%	0	0.0%	0	0.0%
Not Known	1	0.1%	176	0.1%	0	0.0%	0	0.0%
<b>Total</b>	<b>911</b>	<b>100.0%</b>	<b>166,290</b>	<b>100.0%</b>	<b>28</b>	<b>100.0%</b>	<b>617</b>	<b>100.0%</b>

Originations and purchases

Small Business loans are loan sizes that are \$1 million or less, \*small farm loans are loans that are \$500,000 or less.

NORTHERN KENTUCKY ASSESSMENT AREA												
2001 AGGREGATE LENDING COMPARISON												
SMALL BUSINESS												
Tract Income Category	Total Loans				Loan Amounts						Gross Revenue	
	Bank		Aggregate		\$100,000 or Less		\$100,001 - \$250,000		\$250,001 - \$1 Million		<=\$1 Million	
	#	%	#	%	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate
Low	12	2.3%	93	1.6%	2.9%	1.7%	2.5%	1.2%	0.9%	1.5%	2.0%	1.2%
Moderate	112	21.9%	1,002	17.6%	26.6%	17.7%	17.2%	15.4%	15.3%	18.2%	22.8%	18.1%
Middle	269	52.6%	3,208	56.5%	47.8%	56.7%	50.8%	58.3%	66.7%	48.8%	50.7%	54.7%
Upper	118	23.1%	1,375	24.2%	22.7%	23.9%	29.5%	25.1%	17.1%	31.5%	24.5%	26.0%
NA	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	511	100.0%	5,678	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Number of Loans</b>					278	5,228	122	247	111	203	355	2,227
<b>% of Total</b>					54.4%	92.1%	23.9%	4.4%	21.7%	3.6%	69.5%	39.2%

NORTHERN KENTUCKY ASSESSMENT AREA									
2001 AGGREGATE LENDING COMPARISON									
HMDA ORIGINATIONS & PURCHASES									
Income Category	By Tract Income				By Borrower Income				
	Bank		Aggregate		Bank		Aggregate		
	#	%	#	%	#	%	#	%	%
Low	18	0.8%	203	0.8%	217	9.1%	2,493	9.4%	
Moderate	294	12.4%	3,679	13.8%	533	22.5%	5,466	20.5%	
Middle	1,260	53.1%	15,192	57.0%	707	29.8%	6,816	25.6%	
Upper	800	33.7%	7,561	28.4%	806	34.0%	7,272	27.3%	
NA	0	0.0%	0	0.0%	109	4.6%	4,588	17.2%	
Total	2,372	100.0%	26,635	100.0%	2,372	100.0%	26,635	100.0%	

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA				
Loan Type	IN			
	#	%	\$(000s)	%
Small Business	911	75.0%	\$166,290	72.9%
HMDA	445	81.8%	\$20,304	86.3%
Farm	28	71.8%	\$617	61.8%
Total In	1,384	77.0%	\$187,211	74.1%
Loan Type	OUT			
	#	%	\$(000s)	%
Small Business	304	25.0%	\$61,810	27.1%
HMDA	99	18.2%	\$3,231	13.7%
Farm	11	28.2%	\$382	38.2%
Total Out	414	23.0%	\$65,423	25.9%

COMPOSITION OF LOAN PORTFOLIO				
Loan Type	12/31/01		12/31/02	
	\$(000s)	Percent	\$(000s)	Percent
Construction and Development	\$17,065	2.9%	\$19,002	3.3%
Secured by One- to Four- Family Dwellings	\$128,243	22.0%	\$49,001	8.5%
Other Real Estate: Farmland	\$4,015	0.7%	\$5,184	0.9%
Multifamily	\$3,624	0.6%	\$7,185	1.2%
Nonfarm Nonresidential	\$96,464	16.5%	\$125,636	21.8%
Commercial and Industrial	\$215,557	36.9%	\$232,227	40.3%
Loans to Individuals	\$117,951	20.2%	\$137,150	23.8%
Agricultural Loans	\$1,174	0.2%	\$1,323	0.2%
Total	\$584,093	100.0%	\$576,708	100.0%

This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

**APPENDIX D**  
**ASSESSMENT AREA MAP**

**Fifth Third Bank, Northern Kentucky**  
*Assessment Area Overview with Branch/ATM Locations*

