



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 22, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Germantown
Charter No. 86
17 North Main Street
Germantown, Ohio 45327**

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 the **First National Bank of Germantown** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April ??, 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**.

The First National Bank of Germantown exhibits a satisfactory CRA performance record. This rating is supported by the following:

- ▶ The bank has demonstrated an adequate level of lending since the last CRA examination dated June 30, 1994. The bank's loan to deposit ratio has averaged 56% over this time period. In addition, the bank has also sold a significant amount of residential real estate loans into the secondary market.
- ▶ The bank is lending to individuals of all income levels and to various sizes of small businesses and farms.
- ▶ A majority of loans granted over the last three years were outside the bank's assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Germantown</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 have been received since the prior examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Germantown (FNB) is a \$40 million independently owned bank with its headquarters in Germantown, Ohio. The bank has two branches in Germantown and one in Carlisle, Ohio. Each bank location has an ATM. All of FNB's bank locations are in middle income areas. The bank's loan portfolio mix as of December 31, 1996 was 35% residential real estate, 27% commercial real estate, 17% commercial, 15% consumer, and 6% agricultural.

There are no financial or legal impediments that affect the bank's ability to meet the credit needs of its community. FNB's last CRA evaluation was dated June 30, 1994; the rating was "Satisfactory Record of Meeting Community Credit Needs".

DESCRIPTION OF ASSESSMENT AREA:

FNB's assessment area (AA) consists of four census tracts located in Cincinnati MSA 1640 and two census tracts located in Dayton MSA 2000. Management had previously set the AA as Germantown, German Township, and Carlisle. This AA did not meet the requirements of the regulation by using dividing lines of whole geographies (i.e. census tracts or BNA's). Management modified the AA during our examination to include the following census tracts; 1601 and 1650 in Montgomery County, and 301.01, 301.02, 302, and 303 in Warren County.

Five of the six geographies tracts within the AA were middle income. One census tract, number 302 in Carlisle and Franklin, was moderate income. FNB's lending competition varies by credit type. For residential real estate, the primary competition comes from various mortgage brokers associated with area Realtors. For commercial loans, competition comes from several local branches of regional banking companies and one other community bank located in Franklin, Ohio. For consumer loans, competition also includes the automaker's captive finance companies as well as numerous local credit unions.

Credit needs within the AA include residential real estate and home improvement loans, small farm and business loans, and small consumer loans.

The local economy is stable and diverse. The unemployment rate is relatively low at 3%. Employment is boosted by commuters to both the Cincinnati and Dayton markets. Some individuals supplement salary/wage based employment with farm income. Population trends are stable to slightly growing. Major employers include NCR, Mead, GM, and AK Steel.

The AA's population is 23,325, made up of 6,778 families. The dispersion of families between income levels is: 19% low income; 19% moderate income; 28% middle income; and 34% upper income. Approximately 9% of the households in the AA live below the poverty level. There is significant variation in the age of housing stock these families inhabit, with a median age of 36 years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNB's loan to deposit ratio is satisfactory given the bank's size and assessment area needs.

FNB's average loan to deposit ratio since the prior CRA examination is 56%. The ratio has trended up for the last three quarters. The average loan-to-deposit ratio for similarly situated banks in the state of Ohio was 72%. FNB also makes residential real estate mortgages which are sold into the secondary market. These sold loans totaled over \$26 million from 1994 to 1996. These loans would have significantly increased the loan to deposit ratio if retained. There are no unusual restraints on the bank's capacity to lend.

Lending In Assessment Area

A majority of loans are made to borrowers outside the bank's assessment area.

We evaluated the level of residential real estate lending within the AA by reviewing the bank's Home Mortgage Disclosure Act (HMDA) data and by sampling consumer and small business/small farm loans made during 1996. Our sample consisted of 26 consumer loans and 24 small business/farm loans. The table which follows outlines the percentages of loans made within the assessment area, delineated by loan type.

Percentage of Loans Inside Assessment Area						
Loan Type	1994		1995		1996	
	#	\$	#	\$	#	\$
Real Estate Mortgage	41%	41%	56%	48%	61%	53%
Small Business/Farm	N/P	N/P	N/P	N/P	31%	21%
Loans to Individuals	N/P	N/P	N/P	N/P	38%	43%
Average	N/P	N/P	N/P	N/P	43%	39%

N/P - not performed

The percentages indicate a majority of lending is outside the AA. The real estate mortgage figures improved from 1994 to 1996. These also indicated a majority of residential real estate loans made in 1995 and 1996 were in the bank's AA. The small business/farm and consumer loans figures from our 1996 sample indicate a majority of these loans are being made outside the bank's AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the AA, an excellent penetration among individuals of different income levels (including low and moderate income) and businesses/farms of different sizes.

FNB is extending residential real estate credit to individuals of all income groups. Based on our review of HMDA data, the *number of loans* to individuals in each income category is more than reasonable in proportion to the number of families in the AA earning those amounts. Based on the *number of loans* over half of the bank's loans are to low to moderate income borrowers. Per U.S. Census data only 38% of the families in the bank's AA are considered low to moderate income. The *dollar volume of loans* originated to low and moderate income individuals is lower than these individuals' representation in the population. This is largely due to the fact higher income individuals qualify for relatively higher loan amounts. The following is a table of the percentage of loans we sampled by income level relative to the percentage of families earning those incomes.

Distribution of Real Estate Loans Among Individuals								
Year	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
1994	19%	7%	12%	8%	43%	35%	26%	50%
1995	11%	4%	32%	15%	41%	58%	16%	23%
1996	39%	22%	15%	10%	24%	16%	22%	52%
AA families	19%		19%		28%		34%	

We sampled 26 consumer loans made in 1996. The distribution of these loans reflects an excellent penetration among individuals of different income levels, including low and moderate income as outlined in the table below.

Distribution of Consumer Loans Among Individuals								
Year	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
1996	46%	24%	19%	12%	27%	56%	8%	8%

Distribution of Consumer Loans Among Individuals				
AA	19%	19%	28%	34%

We also sampled 24 business/farm loans made in 1996. The distribution of loans by revenue levels shows the bank is willing to make loans to various size small businesses and farms, as evidenced by the following table.

Distribution of Business/Farm Loans								
Revenue (\$000) Year	< 100		100 - 250		250-1,000		> 1,000	
	#	\$	#	\$	#	\$	#	\$
1996	50%	21%	13%	30%	13%	7%	24%	42%

Geographic Distribution of Loans

The income distribution of geographies reflects reasonable dispersion of the bank's loans throughout its assessment area.

The geographic distribution of residential real estate lending reflects reasonable dispersion throughout the bank's assessment area as reflected by the HMDA generated figures in the table below.

Geographic Distribution of Real Estate Loans								
Year	Moderate Income				Middle Income			
	#	%	\$ (000)	%	#	%	\$ (000)	%
1994	0	0%	0	0%	18	100%	773	100%
1995	1	5%	13	3%	18	95%	378	97%
1996	4	11%	91	10%	31	89%	813	90%
Totals	5	7%	104	5%	67	93%	1,964	95%

One of the six geographies (17%) is moderate income. All of the rest are middle income. Seven percent of the AA's population resides in the moderate income census tract. Six percent of the AA's owner occupied units are within this census tract. Given these figures the geographic distribution of real estate loans is reasonable.

We did not identify any consumer loans made within this census tract in our sample. Management identified several consumer loans made in this tract over the last three years, but the volume was not commensurate with the population. Analysis of the census tract indicated the large majority of the population is in the Franklin portion of the tract, not the Carlisle portion. The vast majority of area residents drive into or through Franklin to work or shop. Two bank branches in downtown Franklin are very convenient to this census tract. FNB's Carlisle branch, while close to Franklin, is in the opposite direction from normal traffic patterns. We viewed this as a reasonable explanation for why FNB's consumer lending numbers were so low in this tract.

We also did not identify any commercial loans made within this census tract in our sample. However, upon request management identified several commercial loans that the bank granted within this tract over the last three years. Our survey of the census tract found very few small businesses based within it. Given the limited number of opportunities to extend business credit within this tract, FNB's level of lending within the tract is reasonable.

Response to Complaints

The bank has not received any complaints from the public or the OCC regarding its performance in meeting assessment area credit needs.