

PUBLIC DISCLOSURE

April 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Germantown
Charter Number 86**

**17 North Main Street
Germantown, Ohio 45327**

**Office of the Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017**

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 institution.
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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 the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 19, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

OVERALL CONCLUSIONS

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

The First National Bank of Germantown (FNB) exhibits a satisfactory performance record. This rating is supported by:

- FNB is responsive to its community's credit needs as a majority of the home mortgage, small business, and small farm loans originated between June 2, 1997 and March 31, 1999, were within the bank's assessment area (AA). Sixty-eight percent of the home mortgage sample, 63% of the small business sample, and 69% of the small farm sample were inside the bank's AA.
- FNB is extending residential real estate credit to individuals of all income levels. Based on the number of loans in the home mortgage loan sample, 67% of loans made in MSA 1640, 45% of those in MSA 2000, and 100% of those made in MSA 3200 were made to low- and moderate-income borrowers. This is more than reasonable given that only 34%, 33%, and 37% of the borrowers in MSA 1640, MSA 2000 and MSA 3200, respectively, are low- and moderate-income per U.S. Census Data.
- The distribution of small business and small farm loans by revenue level shows that the bank is willing to make loans to various sizes of businesses and farms. The distribution of loans among businesses and farms of different sizes is reasonable given the demographics of the area. Of the small business and farm loans sampled, 90% were made to businesses and farms with annual gross revenues less than \$250,000.

DESCRIPTION OF INSTITUTION

The First National Bank of Germantown (FNB) is a \$45 million independently-owned bank with its headquarters in Germantown, Ohio (Montgomery County). The bank has three branch offices located in Germantown, Carlisle, and Middletown. The Middletown branch opened on March 29, 1999. Each branch office has an automatic teller machine (ATM). The main office, Carlisle branch, and the Middletown branch have drive-up facilities. The branch office in Germantown is located in a grocery store. The bank also has one ATM located at a local convenient store in Gratis. All of the offices are located in middle-income areas.

FNB's primary business focus is lending to individuals (residential real estate and consumer loans) and small businesses. The total net outstanding loan portfolio balance was \$21 million as of December 31, 1998. This represents a percentage of net loans to total assets of 47%. The bank's loan portfolio mix as of December 31, 1998, was 33% residential real estate, 27% commercial real estate, 17% commercial, 17% consumer, and 6% agricultural. See Table 1 for details. FNB sells a majority of its residential real estate loans (home purchase) to three investors. The bank sold 133 loans totaling \$13,890,630 to investors in 1998. In 1997, FNB sold 85 loans totaling \$7,790,650.

Table 1		
LOAN PORTFOLIO MIX - As of December 31, 1998		
	VOLUME (000)	% OF GROSS LOANS
Residential Real Estate	\$ 7,006	33%
Commercial Real Estate	\$ 5,867	27%
Secured by Farmland	\$ 698	3%
Commercial Loans	\$ 3,737	17%
Individual Loans	\$ 3,712	17%
Agricultural Loans	\$ 533	3%
Other Loans	\$ 40	< 1%
TOTAL LOANS	\$21,593	100%

No financial or legal impediments exist that affect the bank's ability to meet the credit needs of its community. FNB's prior CRA rating as of May 22, 1997, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

The bank has three assessment areas (AA) which are contiguous. The AAs are located in three different Metropolitan Statistical Areas (MSA). The Warren County AA is located in MSA 1640 (Cincinnati, OH-KY-IN) and is in the northwestern part of the county. The Warren County AA includes census tracts 301.01 and 302.02 in MSA 1640. The Montgomery County

AA is located in MSA 2000 (Dayton-Springfield, OH) and is in the southwestern part of the county. The Montgomery County AA includes census tracts 601, 1501, 1601, and 1650 in MSA 2000. The Butler County AA is located in MSA 3200 (Hamilton-Middletown, OH) and is in the northern part of the county. The Butler County AA includes census tracts 120 and 121 in MSA 3200 (Hamilton-Middletown, OH). All of the census tracts are located in middle-income areas. Management changed their AA as of June 2, 1997. Prior to the change, the bank's AAs included census tracts 301.01, 301.02, 302, and 303 in Warren County and 1601 and 1650 in Montgomery County. The AAs meet the requirements of the regulation and do not arbitrarily exclude low-income or moderate-income geographies.

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 several other local community banks. For consumer loans, competition includes the automaker's captive finance companies, as well as numerous local credit unions.

The local economy is stable and diverse. The unemployment rates are relatively low at 3.4% for Warren County, 3.8% for Montgomery County, and 3.6% for Butler County, as of February 1999. Employment is boosted by individuals working in both the Cincinnati and Dayton markets. Some individuals supplement their salary/wage-based employment with farm income. Major employers include NCR, Mead, GM, and AK Steel. The major employers in Germantown include Dupps Co. and the Germantown School System.

The AA's population is 31,238, made up of 9,151 families. Warren County accounts for 25% of the AA's population, Montgomery County 55%, and Butler County 20%. See Table 2 for details on population and housing data for each census tract in the bank's AAs. See Table 3 for the dispersion of families between income levels for each MSA in the bank's AAs. Approximately 6% to 8% of the households in the AAs live below the poverty level.

MSA	Census Tract	Type of Geography	Total Population	% of Population within the AA	Total Housing Units	% of Owner Occupied Units
1640	301.01	Middle Income	3,170	10%	984	70%
1640	301.02*	Middle Income	4,562	15%	1,575	83%
2000	601	Middle Income	3,180	10%	1,293	83%
2000	1501	Middle Income	6,438	21%	2,299	78%
2000	1601	Middle Income	1,812	6%	669	86%
2000	1650*	Middle Income	5,912	19%	2,217	73%
3200	120	Middle Income	2,341	7%	832	88%
3200	121	Middle Income	3,823	12%	1,429	79%

*Location of bank offices

Table 3				
DISPERSION OF FAMILIES BETWEEN INCOME LEVELS				
Income as a % of Median Family Income	Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families
MSA 1640	15%	19%	30%	36%
MSA 2000	14%	19%	26%	41%
MSA 3200	19%	18%	29%	34%

The economic status of families and geographies are categorized into low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an 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. Moderate-income means an 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 means an 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 means an 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.

See Table 4 for information on the median family incomes for each MSA. Annually the Department of Housing and Urban Development (HUD) estimates the area median family incomes. The OCC and other federal supervisory agencies use the annual HUD estimated median family income data to classify the income levels of borrowers in the CRA public evaluations. Census data (1990) is used to classify the income levels for the geographies (low-, moderate-, middle-, or upper-income census tracts).

Table 4			
MEDIAN FAMILY INCOMES			
	1990 Census Median Family Income	HUD Estimated 1998 Median Family Income	HUD Estimated 1997 Median Family Income
MSA 1640	\$37,175	\$51,500	\$48,400
MSA 2000	\$35,999	\$49,200	\$46,400
MSA 3200	\$38,673	\$51,600	\$48,800

We interviewed a local city finance director to ascertain the credit needs of the community. The credit needs in the AA include residential real estate and consumer loans (auto loans and other small dollar consumer loans). The local financial institutions are meeting these needs. The community contact 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.

FNB's quarterly average loan-to-deposit ratio since the prior CRA examination was 59%. The loan-to-deposit ratio has gone from a high of 64% at December 31, 1997, to a low of 53% at December 31, 1998. The average loan-to-deposit ratio for similarly situated banks in the state of Ohio (total assets less than \$100 million) was 67% as of December 31, 1998, and 61% for banks located only in the counties of Warren, Butler, and Montgomery with total assets less than \$100 million. FNB also makes residential mortgage loans that are sold into the secondary market. These sold loans totaled \$14 million in 1998, and \$8 million in 1997. These loans would have significantly increased the bank's 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 the loans are made to borrowers inside each of the bank's three assessment areas.

We evaluated the level of residential real estate lending within the AA by reviewing all (100%) of the bank's Home Mortgage Disclosure Act (HMDA) data from June 2, 1997, to March 31, 1999. The bank changed its AA as of June 2, 1997, so our sample included loans made beginning as of this date. Our residential real estate sample included home purchase, refinance, and home improvement loans. Since the bank sells a majority of its home purchase loans to the secondary market, the HMDA data included primarily refinance and home improvement loans.

Table 5 illustrates that a majority of the residential real estate loans (85%) made inside the bank's AAs are refinance and home improvement loans. Table 6 identifies the number and dollar amount of the real estate loan sample made inside each of the bank's AA. The bank's main office and one branch office is located in MSA 2000 (Montgomery County). The Carlisle branch office is located in MSA 1640 (Warren County). The new Middletown branch is located in MSA 3200 (Butler County). A majority of the bank's loans were made in MSA 2000 and MSA 1640 which is consistent with where its offices are located. With a branch opening in Middletown, the bank should begin generating more loans in MSA 3200 than they have in the past and they have expanded their AAs to include more census tracts in MSA 3200. Our review did not include those new census tracts because the branch just opened March 29, 1999.

Table 5				
Home Mortgage Lending in the Assessment Areas				
	#	%	\$ (000)	%
Home Purchase	8	15%	\$619	50%
Home Improvement	35	66%	\$238	19%
Refinance	10	19%	\$374	31%
TOTAL	53	100%	\$1,231	100%

Table 6				
Home Mortgage Lending - Home Purchase, Refinance, and Home Improvement in Each of the Assessment Areas				
	#	%	\$ (000)	%
MSA 1640	13	24%	\$195	16%
MSA 2000	38	72%	\$1,024	83%
MSA 3200	2	4%	\$12	1%
TOTAL	53	100%	\$1,231	100%

Our small business and small farm loan samples included loans originated from June 2, 1997, through March 31, 1999. We sampled 24 small business loans totaling \$1,650,316 with 15 (\$900,230) of them made inside the AAs. We sampled 26 small farm loans totaling \$855,913 with 18 (\$585,483) of them made inside the AAs. We sampled 18% of the outstanding small business portfolio balance and 70% of the outstanding small farm portfolio balance as of December 31, 1998. The number and dollar amount of loans originated between June 2, 1997, and March 31, 1999, were not available for review.

Tables 7 and 8 illustrate the number and dollar amount of small business and small farm loans originated in each MSA.

Table 7				
Small Business Lending in the Assessment Areas				
	#	%	\$ (000)	%
MSA 1640	4	27%	\$209	23%
MSA 2000	9	60%	\$236	26%
MSA 3200	2	13%	\$455	51%
TOTAL	15	100%	\$900	100%

Table 8				
Small Farm Lending in the Assessment Areas				
	#	%	\$ (000)	%
MSA 1640				
MSA 2000	18	100%	\$585	100%
MSA 3200				
TOTAL	18	100%	\$585	100%

In summary, a majority of the bank's loans are made inside the bank's AAs. Sixty-eight percent of the home mortgage loans, 63% of the small business loans, and 69% of the small farm loans were made inside the AAs. See Table 9 for details.

Table 9				
Lending in the Assessment Areas				
Loan Category	#	%	\$ (000)	%
Home Mortgage	53	68%	\$1,231	62%
Small Business	15	63%	\$900	55%
Small Farm	18	69%	\$585	68%
TOTAL	86	67%	\$2,716	61%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The analysis of borrower income levels reflects, given the demographics of the assessment area, reasonable distribution among all income levels (including low- and moderate-income). The analysis of business and farm loans indicates a willingness to lend to small businesses and small farms.

The bank's primary product lines include residential real estate and commercial lending. We evaluated the bank's lending activities for residential real estate (home purchase, refinance, and home improvement loans) and small business and small farm loans.

FNB is extending residential real estate credit to individuals of all income levels. 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 AAs earning those amounts for MSA 1640, MSA 2000, and MSA 3200. Based on the number of loans, 67% of the home mortgage loans sample was made to low- and moderate-income borrowers and only 34% of the AAs is considered low- and moderate-income per U.S. Census Data for MSA 1640. For MSA 2000, 45% of the loans were to low- and moderate-income borrowers with only 33%

considered low- and moderate-income per U.S. Census Data. For MSA 3200, 100% of the loans were to low- and moderate-income borrowers with only 37% considered low- and moderate-income per U. S. Census Data. Based on the *number of loans*, the penetration to low- and moderate-income borrowers is strong for each MSA, given the demographics and credit needs of the AAs. See Tables 10, 11, and 12 for the distribution among each MSA.

Table 10								
Distribution of Home Mortgage Loans Among Individuals								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
MSA 1640	17%	29%	50%	58%	17%	7%	17%	6%
AAs	15%		19%		30%		36%	

Table 11								
Distribution of Home Mortgage Loans Among Individuals								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
MSA 2000	26%	14%	19%	6%	42%	38%	13%	42%
AAs	14%		19%		26%		41%	

Table 12								
Distribution of Home Mortgage Loans Among Individuals								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
MSA 3200	50%	83%	50%	17%				
AAs	19%		18%		29%		34%	

Our small business and small farm loan samples included 15 and 19 loans, respectively, made inside the AAs. Table 13 identifies the percentage of small businesses and farms located in the bank's AAs. Table 14 shows the distribution of small business and farm loans made in the bank's AAs. The tables indicate that 90% of the loans were made to small businesses and farms with annual gross revenues less than \$250,000. The distribution of loans by revenue levels shows that the bank is willing to make loans to various sizes of small businesses and farms, as evidenced by table 14. The distribution among businesses and farms of different sizes is reasonable for MSA 1640, 2000, and 3200, given the demographics of the each area.

Table 13

Percent of Farms and Businesses in AAs				
Geography	Sales Less Than/Equal To \$1 Million		Sales Greater Than \$1 Million	
	Farm	Business	Farm	Business
MSA 1640	100%	96%	0%	4%
MSA 2000	100%	95%	0%	5%
MSA 3200	100%	91%	0%	9%

Table 14				
Distribution of Small Business and Small Farm Loans				
Annual Gross Revenues	#	%	\$ (000)	%
Less than \$100M	24	73%	\$522	35%
\$100M - \$250M	6	18%	\$819	55%
\$250M - \$1,000M	3	9%	\$145	10%
TOTAL	33	100%	\$1,486	100%

Tables 15, 16, and 17 represent the volume of loans made inside the AAs to businesses and farms of different sizes broken down by MSA. The sample revealed that 100% of the loans in MSA 1640 were made to businesses and farms with annual gross revenues less than \$250,000. Eighty-nine percent of loans in MSA 2000 and 100% in MSA 3200 were made to businesses and farms with annual gross revenues less than \$250,000. The samples represent reasonable distribution among businesses and farms of different sizes for each MSA.

Table 15				
Distribution of Small Business and Small Farm Loans - MSA 1640				
Annual Gross Revenues	#	%	\$ (000)	%
Less than \$100M	2	50%	\$ 15	7%
\$100M - \$250M	2	50%	\$194	93%
\$250M - \$1,000M				

Table 16				
Distribution of Small Business and Small Farm Loans - MSA 2000				

Annual Gross Revenues	#	%	\$ (000)	%
Less than \$100M	22	82%	\$507	62%
\$100M - \$250M	2	7%	\$170	21%
\$250M - \$1,000M	3	11%	\$145	17%

Table 17				
Distribution of Small Business and Small Farm Loans - MSA 3200				
Annual Gross Revenues	#	%	\$ (000)	%
Less than \$100M				
\$100M - \$250M	2	100%	\$455	100%
\$250M - \$1,000M				

Geographic Distribution of Loans

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

All of the census tracts in the bank's AAs are middle-income geographies. Therefore, a majority of the bank's loans are made to borrowers living in middle-income geographies. Table 18 shows the number and dollar amount of our home mortgage, small business, and small farm loan samples made in each census tract. Our sample revealed a reasonable dispersion throughout the AAs and that loans were made in all census tracts. The distribution in Table 18 is reasonable given where the offices are located, with a majority of the lending in MSA 2000 (census tracts 601, 1501, 1601, and 1650). The bank's main office and one branch office are located in MSA 2000. One office is located in MSA 1640 (census tracts 301.01 and 301.02) and a new branch opened in MSA 3200 in March 1999.

Table 18
Geographic Distribution of Loans by Individual Geographies

	Assessment Area		Assessment Area		Population	% of Population
	#	%	\$ (000)	%		
301.01	6	7%	\$ 69	3%	3,170	10%
302.02	11	13%	\$ 335	12%	4,562	15%
601	1	1%	\$ 3	< 1%	3,180	10%
1501	11	13%	\$ 307	11%	6,438	21%
1601	17	20%	\$ 331	12%	1,812	6%
1650	36	42%	\$1,204	44%	5,912	19%
120	1	1%	\$ 150	6%	2,341	7%
121	3	3%	\$ 317	12%	3,823	12%
TOTAL	86	100%	\$2,716		31,238	100%

Responses to Complaints

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

Other Considerations

Our fair lending sample included a review of consumer denied loans to single-applicant females and approved loans to single-applicant males. We reviewed ten loans from each group. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.