



PUBLIC DISCLOSURE

September 24, 2018

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

West Lake Center
4555 Lake Forest Drive, Suite 520
Blue Ash, OH 45242-3760

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, and should not 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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Overall CRA Rating: Satisfactory

The First National Bank of Germantown (FNB or bank) exhibits a satisfactory record of meeting community credit needs. This rating is supported by the following:

- FNB originates a majority of its loans within the designated assessment area (AA).
- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable distribution.
- The average loan-to-deposit ratio is reasonable when compared to similarly-situated financial institutions.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 (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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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

Consumer Loan(s): A loan(s) 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: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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 householder 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, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement, and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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

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, and branch distribution).

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

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 reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include 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.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): 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 \$500,000 or less and are secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FNB is a community bank located in Germantown, Ohio, 16 miles southwest of Dayton, Ohio, with total assets of \$59 million as of June 30, 2018. FNB has one full service office, with a drive-up facility and an automated teller machine (ATM). FNB has not closed or opened any branches during the review period. On June 30, 2018, FNB closed the only remaining, off-premise ATM.

FNB has one AA that consists of five middle-income census tracts in Montgomery County in the Dayton, Ohio, Metropolitan Statistical Area (MSA) #19380. This AA complies with regulatory requirements and does not arbitrarily exclude low-or moderate-income areas. Management selected this AA based on the bank's targeted lending territory and office location. Refer to "**Appendix B: Community Profiles for Full-Scope Areas**" for specific details regarding the AA.

FNB's loan portfolio totaled approximately \$38 million, representing 64 percent of total assets. FNB's primary business activity consists of residential mortgages and commercial business loans. Loans secured by 1-4 family residential properties comprise the majority of the loan portfolio at \$18 million, followed by loans secured by commercial real estate (\$7.3 million), and commercial and industrial loans (\$4.6 million). The bank offers a variety of standard lending products and services to accommodate the credit needs of borrowers throughout its AA.

The overall economic condition of the AA is relatively stable. Major industries in the AA include healthcare and retail. Major employers in the AA include the Kettering Health Network, McDonalds, and Premier Health Partners. Competition in the AA is moderate and comes primarily from local community banks and branches of large regional financial institutions throughout the county. According to the Bureau of Labor Statistics, Montgomery County had an unemployment rate of 5.2 percent as of June 2018, which is slightly higher than the State of Ohio's unemployment rate of 4.6 percent, and higher than the national average unemployment rate of 4 percent.

There are no financial or legal impediments that affect FNB's ability to meet the credit needs of its AA. FNB's prior CRA rating, as of September 27, 2012, was "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

We conducted a full-scope CRA evaluation to assess the bank's record of meeting the credit needs of its entire community, including low-and moderate-income areas. The evaluation period was January 1, 2015, through December 31, 2017. We used small bank CRA evaluation procedures to assess the bank's performance under the Lending Test. The Lending Test includes loans originated or purchased from January 1, 2015, through December 31, 2017 (lending evaluation period). FNB's primary business activity consists of residential mortgage, business, and consumer installment lending.

The bank filed Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR) for 2015 and 2016, but not 2017, due to the reporting threshold not being met. We randomly sampled loans originated or purchased during 2015-2017 for both residential real estate loans and commercial loans. The demographic data used to compare FNB's results differs between the periods. The 2015/2016 sample results were compared to 2010 Census Data, and the 2017 sample results were compared with the 2015 American Community Survey (ACS) results. Our file review did not identify any data integrity issues.

Data Integrity

FNB's data integrity processes and procedures are appropriate and no issues were noted.

Selection of Areas for Full-Scope Review

We completed a full-scope review of the bank's only AA, the Dayton MSA, described within the "***Description of the Institution***" section of this performance evaluation.

Ratings

The bank's overall rating is based on the review of the Dayton MSA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this bank has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this bank engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the bank's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's lending performance is satisfactory.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given its size, financial condition, and the AA's credit needs. The bank had an average LTD ratio of 76 percent in the 24 quarters (September 30, 2012, through June 30, 2018) since the last CRA evaluation. The quarterly LTD ratio ranged from a low of 64.3 percent at December 31, 2012, to high of 85.4 percent at December 31, 2014. This is comparable to the average LTD ratio for the other two comparable institutions in Montgomery County.

Lending in Assessment Area

The bank's record of lending reflects a majority of the bank's lending occurs inside its AA. As outlined in the "**Description of Institution**" above, the bank's primary loan types are residential real estate and commercial loans. Table 1 details the bank's 2015-2016 lending within the AA by number and dollar volume, and Table 1.1 details 2017 lending activity. According to our combined analysis for 2015-2017, the bank made 54.2 percent of all loans and 48.9 percent of total dollar amount of loans within its AA. While 51.1 percent of the total dollar of loans were originated outside of the AA, the distribution was skewed by a few large-dollar loans made outside of the AA.

Table 1 - Lending in Dayton MSA 2015-2016										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	31	53.4	27	46.6	58	2,855	49.0	2,975	51.0	\$5,830
Commercial	7	35.0	13	65.0	20	388	20.3	1,519	79.7	\$1,907
Totals	38	48.7	40	51.3	78	3,423	41.9	4,494	58.1	\$7,737

Source: Loan sample; loans originated/ purchased from January 1, 2015 – December 31, 2017

Table 1.1 - Lending in Dayton MSA 2017										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	17	85.0	3	15.0	20	1,306	90.4	139	9.6	\$1,446
Commercial	9	45.0	11	55.0	20	1,464	47.2	1,640	52.8	\$3,104
Totals	26	65.0	14	35.0	40	2,770	60.9	1,779	39.1	4,549

Source: Loan sample

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different income levels and businesses of different sizes reflects reasonable distribution. FNB's distribution of residential real estate loans to borrowers of different incomes reflects reasonable distribution in both evaluation periods. In 2015 and 2016, the bank originated 42.0 percent of loans to low-and moderate-income borrowers, compared to 32.9 percent of loans to low-and moderate-income families in the AA. In 2017, the bank's lending to low-and moderate-income borrowers reflects reasonable distribution, as the bank originated 40.0 percent of loans to low-and moderate-income families, compared to 35.5 percent of low-and moderate-income families in the AA. The bank's lending to low-and moderate-income borrowers exceeds aggregate lending data of peer institutions in the AA. In 2016, aggregate lending data indicated peer institutions in the AA originated 23.7 percent of loans to low-and-moderate-income families and originated 30.9 percent of loans to low-and-moderate-income families in 2017.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Dayton MSA AA 2015/ 2016								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	15.1	6.5	17.8	35.5	22.3	35.5	44.8	19.4

Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data, HMDA Aggregate Data

Table 2.1 - Borrower Distribution of Residential Real Estate Loans in Dayton MSA AA 2017								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	16.4	10.0	19.1	30.0	22.7	40.0	41.7	20.0

Source: 2015 ACS Census; Sample of 20 Residential Real Estate loans in this AA

The bank's lending to businesses of different sizes reflects reasonable distribution. The majority of loans in our commercial loan sample were to small businesses with annual gross revenues of less \$1 million. The bank originated 90.0 percent of loans in the

sample to businesses with annual gross revenues of \$1 million or less in years 2015 and 2016, and 75 percent in the year 2017. These origination levels are comparable to the percentage of businesses in the AA for each evaluation period, with 89.3 percent of businesses having gross revenues of \$1 million or less in 2015 and 2016, and 90.0 percent in 2017. Refer to the following tables for more detail on the borrower distribution of business loans in our sample.

Table 2a - Borrower Distribution of Loans to Businesses in the Dayton MSA AA 2015/2016				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	89.3	2.3	8.4	100%
% of Bank Loans in AA by #	90.0	10.0	0.0	100%
% of Bank Loans in AA by \$	33.5	66.5	0.0	100%

Source: 2016 D&B Data; Sample of 20 Commercial loans in this AA

Table 2a.1 - Borrower Distribution of Loans to Businesses in the Dayton MSA AA 2017				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	90.0	3.0	7.0	100%
% of Bank Loans in AA by #	75.0	25.0	0.0	100%
% of Bank Loans in AA by \$	67.4	32.6	0.0	100%

Source: 2017 D&B Data; Sample of 20 Commercial loans in this AA

Geographic Distribution of Loans

We did not perform an analysis of geographic distribution of loans as part of this review. The bank's AA is comprised entirely of middle-and upper-income census tracts. Since the AA does not include any low-and moderate-income census tracts, a review of geographic distribution of credit would not be meaningful.

Responses to Complaints

The bank has not received any complaints about its performance in helping to meet the credit needs of its AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2015 to 12/31/2017) Investment and Service Tests and CD Loans: N/A	
Financial Institution	Products Reviewed	
The First National Bank of Germantown, Germantown, Ohio	Residential real estate loans, commercial loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Dayton MSA #19380	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Dayton MSA

Demographic Information for Full Scope Area: Dayton MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	5	0.0	0.0	80.0	20.0	0.0
Population by Geography	21,559	0.0	0.0	90.8	9.2	0.0
Owner-Occupied Housing by Geography	6,701	0.0	0.0	89.3	10.7	0.0
Business by Geography	1,077	0.0	0.0	90.1	9.9	0.0
Farms by Geography	143	0.0	0.0	76.2	23.8	0.0
Family Distribution by Income Level	6,232	16.4	19.1	22.7	41.7	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	2,215	0.0	0.0	92.7	7.3	0.0
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		61,957 63,600 9%		Median Housing Value Unemployment Rate	124,774 3.58%	

Source: 2015 ACS US Census and 2017 FFIEC updated MFI