



PUBLIC DISCLOSURE

July 07, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Foundation Bank
Charter Number 702230

25 Garfield Pl
Cincinnati, OH 45202-4301

Office of the Comptroller of the Currency

West Lake Center
4555 Lake Forest Drive, Suite 610
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, 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

Foundation Bank (Foundation or institution) exhibits a **satisfactory** record of meeting community needs. This rating is primarily based on the following:

- Foundation's current average loan-to-deposit (LTD) ratio of 115.68 percent is more than reasonable.
- Foundation lends a majority of residential real estate and commercial loans inside their assessment area (AA).
- Foundation's overall geographic distribution of loans to low- and moderate-income census tracts (CT) in the Assessment Area (AA) is reasonable.

SCOPE OF EXAMINATION

The OCC conducted a full scope Community Reinvestment Act (CRA) evaluation to assess the institution's record and performance of meeting the credit needs of its community. We used small saving and loan association procedures to evaluate the institution's performance.

The institution's performance regarding its primary lending product is considered foremost in this CRA examination. Based on our conversations with management and review of call report information, the institution is primarily a commercial lender with commercial and commercial real estate loans representing 57.1 percent of all loans at March 31, 2014. Through their commercial lending the institution has also established professional relationships that resulted in residential real estate lending opportunities. During the evaluation period, low interest rates led to an unusually large volume of residential loan purchases and refinances. The bank does not have a specific program in place to generate residential real estate loans and they do not offer a home improvement product.

To perform our analysis of lending inside the AA, we used all residential real estate loans listed on the institution's loan application register (LAR) and a sample of 40 business loans that originated during the 2012 and 2013 evaluation periods. We used 2010 U.S. Census data to analyze performance.

DESCRIPTION OF INSTITUTION

Foundation Bank is a federally chartered savings institution with total assets of \$196 million as of March 31, 2014. The main office is located in a middle-income geography in downtown Cincinnati, Ohio. Cincinnati is in Hamilton County. The institution operates four additional offices, one in Milford in an upper-income geography in Clermont County and three in Cincinnati. The Cincinnati offices are located in Hyde

Park, an upper-income geography, Norwood and Woodlawn. The Norwood and Woodlawn offices are located in middle-income geographies. All offices are located in Hamilton or Clermont Counties. Foundation’s principal lines of business are commercial and commercial real estate loans and residential real estate loans. In addition, the institution serves their community with consumer and small business loans as well as standard deposit products. The table below provides detail of the institution’s loan portfolio by loan product as of March 31, 2014.

Loan Portfolio Mix as of March 31, 2014		
Loan Type	Dollar volume	% Gross Loans
Residential Real Estate Loans	72,543	42.4
Consumer Installment Loans	707	0.4
Commercial / CRE Loans	97,553	57.1
Other Loans	152	0.1
Total Gross Loans	170,955	100.0

Presently, there are no financial or legal impediments that affect institution’s ability to help meet the credit needs of its AA. Foundation’s last CRA evaluation was conducted as of December 7, 2009 and resulted in a “Satisfactory” rating.

DESCRIPTION OF ASSESSMENT AREA(S)

Foundation’s AA consists of Hamilton and Clermont Counties. Hamilton and Clermont Counties are part of the Cincinnati-Hamilton, OH-KY-IN Metropolitan Statistical Area (MSA) 17140. Cincinnati is the largest city in Hamilton County.

As reflected in the table below, the MSA 17140 AA includes 262 census tracts as of 2010 census data with 15.6 percent categorized as low-income, 23.3 percent as moderate-income, 37.8 percent as middle-income, and 23.3 percent as upper-income. The population of the AA is 999,737 with 9.5 percent living in low-income census tracts, 20.9 percent in moderate-income census tracts, 42.4 percent in middle-income census tracts, and 27.3 percent in upper-income tracts. Fifty-six percent of the housing units in the AA are owner occupied, with 3.8 percent located in low-income geographies, 16.4 percent in moderate-income geographies, 46.6 percent in middle-income geographies, and 33.2 percent in upper-income geographies. Fourteen percent of the households in the AA live below the poverty level, 27 percent receive social security benefits, and 2.5 percent receive public assistance. The median housing value is \$163,061; the average median age of housing is 52 years. The weighted average monthly gross rent is \$673.

MSA 17140 Assessment Area Income Composition									
Low-income		Moderate-income		Middle-income		Upper-income		Total	
#	%	#	%	#	%	#	%	#	%
41	15.6	61	23.3	99	37.8	61	23.3	262	100.0

According to the 2010 U.S. Census Data, the MSA 17140 median family income is \$71,098. Approximately 23.0 percent of the families in the AA are low-income and 17.4 percent are moderate-income, with the remainder as middle- and upper-income.

Foundation’s market area consists of Hamilton and Clermont Counties, which includes 44 institutions and 374 branch office locations. Competition in the AA is moderate and consists of national banks, branches of larger financial institutions, and savings and loan institutions. According to the June 30, 2013 Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC), Foundation had approximately a 0.23 percent deposit market share in Hamilton and Clermont Counties.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Foundation’s lending performance is satisfactory.

Loan-to-Deposit Ratio

Foundation’s loan-to-deposit (LTD) ratio is more than reasonable given its size, financial condition, and AA credit needs. Foundation’s quarterly average LTD ratio for the 19 quarters since the last CRA examination of 115.68 percent is more than reasonable when compared to similarly situated financial institutions. As of March 31, 2014, the LTD ratio was 116.7 percent. Since the last examination, the institution’s quarterly LTD ratio ranged from a low of 96.8 percent at December 31, 2010 to 126.1 percent at December 31, 2011. A review of 20 similarly situated financial institutions located within MSA 17140 (Hamilton and Clermont Counties) revealed an average LTD ratio of 91.3 percent.

Lending in Assessment Area

A majority of the institution’s lending activity occurs within its AA. The following table details the thrift’s AA lending activity during the evaluation period and dollar volume.

Home Mortgage and Business Lending in the MSA 17140 Assessment Area during the Evaluation Period										
Loan Type	Number of Loans					Dollars of Loans (000's omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	63	23.7	27	30.3	90	17,956	27.4	7,123	35.1	25,079
Home Improvement	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Home Refinance	203	76.3	62	69.7	265	47,544	72.6	13,146	64.9	60,690
Totals	266	100.0	89	100.0	355	65,500	100.0	20,269	100.0	85,769
Business Loans	34	85.0	6	15.0	42	25,371	81.7	5,697	18.3	31,068

Source (real estate lending): Foundation Bank HMDA loan data for 2012 and 2013

Source (business lending): Business Loan Sample

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

Foundation’s lending performance to small businesses and low- and moderate-income borrowers reflects reasonable penetration. This assessment is primarily based on the institution’s commercial lending business model and the volume of lending to businesses with revenues less than \$1 million (small business). Based on our sample of 40 business loans, 82.5 percent of business loans by volume and 85.9 percent of business loans by dollar were to small businesses, which is above the demographic comparator.

The prevailing low interest rate environment during the 2012 and 2013 assessment period resulted in an uncharacteristically high volume of home mortgage originations, which included a significant increase in home refinances and a modest increase in home purchase loans. Based on conversations with management, Foundation’s home mortgage lending is largely supported by referrals from a network of asset management professionals whose customers are predominantly middle- and upper-income customers. As such, borrower penetration in the low- to moderate-income census tracts is negligible, as the table below reflects. The institution’s home mortgage cost to process is a hindrance in lending to borrowers of low- and moderate-incomes, as there are more affordable fees available at larger institutions with whom the institution competes.

Borrower Distribution of Residential Real Estate Loans in the MSA 17140 Assessment Area							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of AA Families by Income Level
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	0.0	0.0	1.2	16.5	23.0	6.4	23.0
Moderate	5.4	0.0	2.6	25.8	17.4	16.8	17.4
Middle	10.8	0.0	8.4	20.7	20.0	22.9	20.0
Upper	83.8	0.0	87.8	37.0	39.6	53.9	39.6
Total	100.0	0.0	100.0	100.0	100.0	100.0	100.0

Source: 2010 U.S. Census data and Foundation Bank HMDA loan data for 2012 and 2013

Borrower Distribution of Loans to Businesses in the MSA 17140 Assessment Area				
Business Revenues	<\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	68.5	5.2	26.3	100
% of Thrift Loans in AA by Number	82.5	17.5	0.0	100
% of Thrift Loans in AA by Dollar	85.9	14.1	0.0	100

Source: Business Geodemographic Data and Foundation Bank loan portfolio information

Geographic Distribution of Loans

Foundation’s overall geographic distribution of residential real estate and small business loans in low- and moderate-income census tracts reflects reasonable dispersion. The institution’s percentage of home purchases underperforms aggregate industry averages while the percentage of home refinances outperforms industry averages for these census tracts. The institution does not have a home improvement loan product. The percentage of business loans approximates industry averages in the low- and moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in the MSA 17140 Assessment Area							
Census Tract Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of AA Owner Occupied Housing Units
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	0.0	0.0	0.0	3.1	4.2	1.8	4.4
Moderate	9.8	0.0	13.4	13.1	14.0	9.3	15.8
Middle	26.8	0.0	15.2	48.6	46.0	42.2	49.0
Upper	63.4	0.0	71.4	35.2	35.8	46.7	30.8
Total	100.0	0.0	100.0	100.0	100.0	100.0	100.0

Source: 2010 U.S. Census data and Thrift's HMDA loan data for 2012 and 2013

Geographic Distribution of Loans to Businesses in the MSA 17140 Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% AA Businesses	% of Number of Loans	% AA Businesses	% of Number of Loans	% AA Businesses	% of Number of Loans	% AA Businesses	% of Number of Loans
Business Loans	9.3	10.0	20.3	15.0	41.0	40.0	29.4	35.0

Source: 2010 U.S. Census data and Thrift's loan sample for the 2012 and 2013 evaluation period.

Responses to Complaints

During the assessment period, Foundation Bank received no known written complaints relating to its performance in helping to meet the credit needs of its AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R 25.28(c), in determining a national thrift's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the thrift. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the credit needs of the community.