



PUBLIC DISCLOSURE

September 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Germantown
Charter Number 86

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, 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.

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:

- The bank's current and thirty-one quarter average loan-to-deposit (LTD) ratios are reasonable.
- FNB originates a majority of its loans within the designated assessment area (AA).
- FNB's lending to borrowers of different income levels and businesses of different sizes is reasonable.

SCOPE OF EXAMINATION

The Office of the Comptroller of the Currency (OCC) conducted a full scope Community Reinvestment Act (CRA) examination of FNB to assess the bank's record of meeting the credit needs of its community, including low- and moderate-income areas. We used the small bank CRA examination procedures and considered information from January 1, 2010 through December 31, 2011 (evaluation period).

The bank's performance in residential real estate, small business (i.e. commercial and commercial real estate), and consumer installment lending is considered foremost in this CRA examination as these were the bank's primary lending products during the evaluation period. We used the bank's data for originated residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2010 through December 31, 2011, which was determined to be accurate and reliable. In addition, we sampled business and consumer installment loans originated during the same time period. Table 1 below details the bank's primary loan products during the evaluation period.

Table 1 - Primary Loan Types		
Loans originated/purchased from January 1, 2010 to December 31, 2011		
Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollars of Loans Originated/Purchased during evaluation period
Residential Real Estate Loans	8%	11%
Business Loans: Commercial and Commercial Real Estate Loans	30%	62%
Individual Consumer Loans	47%	11%
Farm Loans	8%	9%
All Other Loans	7%	7%
Total	100%	100%

Source: Internal bank reports as of June 30, 2012

To perform our analysis of lending inside the bank's AA, we randomly sampled 20 business and 20 consumer installment loans originated during the evaluation period. To

evaluate the bank's performance in residential real estate lending inside the AA, we used all the bank's originated residential real estate loans reported on the HMDA loan application register in years 2010 and 2011. Next, to perform the borrower distribution analysis, any loans in the original sample that were outside the bank's AA were removed from the original sample. Additional loans located in the AA were then selected as necessary to ensure at least 20 loans of each sampled loan type were used for the borrower distribution analysis.

DESCRIPTION OF INSTITUTION

FNB is a community bank located in Germantown, Ohio. FNB has one full service office, with a drive-up facility and an automated teller machine (ATM). In addition, the bank operates one off-premise ATM in Germantown. The bank closed their Dayton Pike branch in 2011.

FNB's primary business activity consists of residential mortgage, business, and consumer installment lending. The bank offers a variety of standard lending products and services to accommodate the credit needs of borrowers throughout its AA.

As of June 30, 2012, FNB reported total assets of \$50 million and Tier One Capital of \$4 million. FNB's loan portfolio totaled approximately \$31 million, with the loan portfolio representing 61 percent of average assets. The mix of loans originated/purchased during the evaluation period is outlined in Table 1.

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 December 13, 2004, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

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.

The total population of the AA is 21,328. The AA is made up of 3,329 families, of which six percent live below the poverty level. The AA has 8,460 total housing units, of which 81 percent are owner occupied, 15 percent are rental-occupied, and four percent are vacant. The median housing value for the AA is \$102,244, with an average age of housing stock of 52 years. The Department of Housing and Urban Development's (HUD) updated estimate of the MSA median family income for the AA in year 2011 was \$62,400.

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 Ohio Department of Job and Family Services, Montgomery County had an unemployment rate of 8.2 percent as of July 2012, which is slightly higher than the State of Ohio's unemployment rate of 7.4 percent, but lower than the national average unemployment rate of 8.6 percent.

The bank's one office in Montgomery County provides the bank with a 0.63 percent deposit market share and the bank is ranked 14th out of 21 institutions per the FDIC (Federal Deposit Insurance Corporation) market share reports dated June 30, 2011.

During our examination, we interviewed one community contact for the purpose of assessing the credit opportunities and needs of the community, the bank's involvement in its local community, and the effectiveness of the bank's lending products and services. The community contact indicated that FNB, along with other financial institutions in the area, are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- Based on the criteria for the CRA lending test, this bank's lending performance is satisfactory.

Loan-to-Deposit Ratio

- The LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs and meets the requirements for satisfactory performance.

FNB's thirty-one quarter average and current LTD ratios are reasonable and meet the standard for satisfactory performance. The average LTD ratio calculated over the last thirty-one quarters since the prior CRA examination equals 75.57 percent, which is reasonable when compared to peer banks. FNB's highest LTD ratio was 90.50 percent at September 30, 2009, and the lowest was 55.53 percent at December 31, 2005. FNB's current LTD ratio of 69.91 percent (December 31, 2012) is slightly lower than the average peer LTD of 76.04% due mainly to declines in loan volume from stagnate loan demand combined with rising deposit volumes. However, the current LTD ratio remains reasonable as we noticed similar trends in the bank's peer group ratios as well.

Lending in Assessment Area

- A majority of the bank's lending activity occurs inside the AA and supports satisfactory performance.

Based upon the HMDA data for the residential real estate loans and our loan samples for the business and consumer installment loans, we found that a majority (65 percent) of the bank's primary lending products were made inside the AA based on number of

loans. FNB's lending activity within the AA by number and dollar volume is outlined in Table 2.

Table 2 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	29	66%	15	34%	44	1,503	51%	1,450	49%	2,953
Commercial/Commercial Real Estate	11	55%	9	45%	20	597	35%	1,088	65%	1,685
Installment	15	75%	5	25%	20	124	81%	29	19%	153
Totals	55	65%	29	35%	84	2,224	46%	2,567	54%	4,791

Source: Commercial/business and installment categories derived from loan samples; home mortgage loan data reported under HMDA.

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

- The bank's lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.

The HMDA data for residential real estate loans and the business and consumer installment loan samples were reviewed by borrower income level. In addition, we considered the overall level of lending activity during the evaluation period, which has declined in recent years due to weak loan demand. From December 31, 2009 to December 31, 2012, net loans declined approximately 27% from \$39.8 million to \$29.1 million. The HMDA data was compared to the percentage of AA families by income category. The data indicated that FNB originated 21 percent of its home loans to low-income borrowers, which exceeded the AA demographic of 15 percent. FNB's lending to moderate-income borrowers was 21 percent which is within the AA demographic range of 22 percent and commensurate with satisfactory performance.

FNB's consumer installment lending sample was compared to the percentage of AA households contained in each income category. FNB's lending to low-income borrowers equaled 35 percent of total loans in the sample, which exceeds the demographic comparator of low-income households in the AA of 15 percent. In the moderate-income category, FNB's lending to moderate-income borrowers was 20 percent which meets the standards for reasonable performance when compared to the moderate-income households in the AA of 18 percent.

Refer to Tables 3 and 3A for specific details on the bank's residential real estate and consumer installment lending.

Table 3 - Borrower Distribution of Residential Real Estate Loans in AA										
Borrower Income Level	Low		Moderate		Middle		Upper		NA	
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	% of AA Families	% of Number of Loans
Home Purchase	15%	17%	22%	17%	23%	17%	40%	33%	0%	16%
Refinancing		20%		30%		30%		10%		10%
Home Improvement		23%		15%		46%		16%		0%
Total	15%	21%	22%	21%	23%	34%	40%	17%	0%	7%

Source: Data reported under HMDA; 2000 U.S. Census data, updated as of 2011.

Table 3A - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Installment Loans	15%	35%	18%	20%	20%	5%	47%	40%

Source: Loan sample; 2000 U.S. Census data, updated as of 2011.

Based on the business loan sample, FNB’s penetration of loans to small businesses is excellent and supports outstanding performance. The bank made 90 percent of their business loans to businesses with annual gross revenues of \$1 million or less, which is higher than the 77 percent of businesses in the AA with annual gross revenues less than \$1 million. Refer to Table 3B for more details on the distribution of business loans.

Table 3B - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77%	3%	20%	100%
% of Bank Loans in AA by #	90%	10%	-	100%
% of Bank Loans in AA by \$	60%	40%	-	100%

Source: Loan sample; 2000 U.S. Census data, updated as of 2011.

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-income census tracts. As a result of the AA not including 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.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.