



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 13, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**17 N. Main Street
Germantown, OH 45327**

**Comptroller of the Currency
Central Ohio
4555 Lake Forest Drive, Suite 610
Cincinnati, OH 45242**

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 has a satisfactory record of meeting community credit needs.

- A majority of residential real estate and business/farm loans originated between 1999-2002 were within the bank's assessment areas (AAs).
- The distribution of loans reflects reasonable penetration to borrowers of different incomes and businesses of different sizes.
- The bank's 21-quarter average loan to deposit ratio of 71.79% is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank of Germantown (FNBG) is a \$45 million, independently owned institution with its headquarters in Germantown, Ohio (Montgomery County). FNBG offers retail and commercial banking products through its main office and a full service branch office also in Germantown. The bank has two automated teller machines (ATMs), one at each location. The main and branch offices are located in middle-income geographies in Germantown, Ohio. In June 2004, FNBG sold two branch offices to a locally owned institution. The Middletown branch was in MSA 3200 in a moderate-income census and the Carlisle branch was located MSA 1640 in a middle-income census tract.

FNBG's primary business focus is residential real estate lending, followed by small business lending and consumer loans. The bank offers a variety of loan products to accommodate borrowers within the AA. FNBG reported gross loans of approximately \$29 million, representing 64% of total assets, on the September 30, 2004, Consolidated Report of Condition (Call Report). The bank's loan mix is detailed in the following table.

Loan Mix of First National Bank of Germantown as of September 30, 2004		
Loan Type	\$000's	% of Gross Loans
Residential Real Estate	17,774	62%
Commercial Real Estate	4,139	14%
Secured by Farmland	380	1%
Commercial Loans	3,266	11%
Individual Loans	2,575	9%
Agricultural Loans	418	2%
Other	40	<1%
Total	28,592	100%

Source: September 30, 2004 Uniform Bank Performance Report

No financial or legal impediments exist that would affect the bank's ability to meet the credit needs of its community. FNBG's prior CRA rating as of April 19, 1999, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREAS

The bank has primarily three AAs, with one noting the majority of activity. All AAs are within a Metropolitan Statistical Area (MSA) and completely surround the bank's offices, meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. Competition for loans and deposits within the designated AAs is moderate to strong and comes primarily from branches of several large regional institutions as well as many other state and nationally chartered community banks, savings and loans, and credit unions.

We conducted one community contact in conjunction with this examination. Our community contact was with a German Township Trustee. In discussion with the Trustee, the local economy was described as stable. Credit needs of the AAs mentioned during our discussion included, residential mortgages and automobile loans. The interviewee felt that the credit needs of the community were being met and noted that FNBG was a leader in addressing the credit needs of the local area.

Montgomery County - MSA #2000 AA:

The third AA consists of four CTs of the Dayton-Springfield, Ohio MSA #2000 representing the southwest portion of Montgomery County. The bank had two offices in this AA for the entire evaluation period. In addition, after accounting for the branch sales in 2004 discussed above, the bank now has 100% of its offices in this AA. The June 30, 2004 FDIC market share report shows FNB with .42% of all MSA deposits, ranking in 23rd out of 33 institutions doing business in MSA #3200. The market share reports for just Montgomery County show that FNB holds .59% of county deposits, placing it 15th out of the 23 largest county deposit holders. This AA is also responsible for 60% of all HMDA home loans originated during the review period.

The economic condition in the AA is currently stable, with emphasis in government and transportation. The unemployment rate for Montgomery County represents 5.8% as of August 2004 and is equal to the state level of 5.8%, but above the national level of 4.9%.

The 1990 census shows that this AA contains a total population of 17,342. The AA notes a HUD updated median family income of \$60,200 and contains about 5,088 families. The AA family total is made up of 14% low-income, 19% moderate-income, 26% middle-income and 41% upper-income families. Of the AA's 6,478 housing units, approximately 78% are owner occupied and have an average median value of \$60,266. Of the four tracts, all (100%) are classified as middle-income tracts. The table below summarizes the AA's income composition by families and geographies.

Montgomery County MSA #2000 AA Income Composition								
<i>Families & Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	712	14%	967	19%	1,322	26%	2,087	41%

Montgomery County MSA #2000 AA Income Composition								
<i>Families & Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
CTs	0	0%	0	0%	4	100%	0	0%

Source: 1990 Census Data

Butler County - MSA 3200 AA:

The second AA consists of seventeen tracts of the Hamilton-Middletown, Ohio MSA #3200 comprising the northeast portion of Butler County. The bank had one branch in this AA during the majority of the review period, but this branch was subsequently sold during 2004. The June 30, 2004 FDIC market share report does not include FNB within its report of leading deposit holders for MSA #3200 or Butler County, indicating that the bank has a limited deposit footing in this AA.

The economic condition in the AA is currently stable, with emphasis in light manufacturing, and the insurance industry. The unemployment rate for Butler County represents 4.3% as of August 2004 and continues to below the state and national levels of 5.8% and 4.9%, respectively.

The 1990 census shows that this AA contains a total population of 48,813. The MSA notes a HUD updated median family income of \$62,600. Of the AA's 13,819 families, 26% are low-income, 20% are moderate-income, 26% are middle-income and 28% are upper-income families. Of the AA's 20,379 housing units, approximately 61% are owner occupied and has an average median value of \$58,217. Of the seventeen tracts, two (12%) are classified as low-income, eight (47%) are moderate-income, five (29%) are middle-income, and two (12%) are upper-income tracts. The table below summarizes the AA's income composition by families and geographies based on the 1990 census data.

Butler County MSA #3200 AA Income Composition								
<i>Families & Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	3,593	26%	2,764	20%	3,593	26%	3,869	28%
CTs	2	12%	8	47%	5	29%	2	12%

Source: 1990 Census Data

Warren County - MSA 1640 AA:

The first AA represents three Census Tracts (CT) of the Cincinnati MSA 1640 located in the extreme northwestern portion of Warren County. The bank had one branch in this AA during the majority of the review period, but this branch was subsequently sold during 2004. FNB is currently not listed among the ninety-one largest holders of MSA #1640 deposits according to the June 30, 2004 FDIC market share report. Additionally, this report shows that FNB is also

not listed on the market share report for just Warren County, indicating that the bank has a limited deposit footing in this area.

The economic condition in the AA is currently stable, with emphasis in light manufacturing, and the insurance industry. The unemployment rate for Warren County represents 4.0% as of August 2004 and continues to be below the state and national levels of 5.8% and 4.9%, respectively.

The 1990 census shows that this AA contains a total population of 9,424. The HUD updated median family income for the AA \$64,300. The AA family total is made up of 19% low-income, 19% moderate-income, 29% middle-income and 33% upper-income families. Of the AA's 3,221 housing units, approximately 75% are owner occupied and have an average median value of \$59,500. Of the three tracts in this AA, one (33%) is classified as a moderate-income tract and two (67%) are middle-income tracts. The table below summarizes the AA's income composition by families and geographies based on the 1990 census data.

Warren County MSA #1640 AA Income Composition								
<i>Families & Geography</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
Families	513	19%	513	19%	782	29%	890	33%
CTs	0	0%	1	33%	2	67%	0	0%

Source: 1990 Census Data

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

The First National Bank of Germantown's loan-to-deposit ratio (LTD) and its quarterly loan-to-deposit ratio are reasonable and support the standards for satisfactory performance. The bank's September 30, 2004 loan-to-deposit ratio is 71.79% and average LTD ratio for the 21 quarters since the last CRA examination (April 19, 1999) is 62.38%. For analysis purposes, FNBG's current and quarterly average LTD ratios were compared to a peer group of similarly situated banks within the bank's AAs. The September 30, 2004, loan to deposit ratio is slightly higher than the peer average of 71.58% while the 21 quarter average ratios was slightly below the banks included in the peer group.

Lending in Assessment Area

The bank makes a majority of loans within its identified AAs and demonstrates satisfactory performance. Sixty-six percent of the number of loans reviewed were originated in the bank's

AAs. All HMDA home loans originated between 1999 and 2002 were evaluated to determine the number of home loans originated within the identified lending areas. The analysis shows that approximately 67% of all home loans originated during this period, based on number, were from inside the banks identified AAs. In addition, a sample of 20 commercial purpose loans originated between 1999 and 2002 was tested for performance in this area. Findings reflect that 10 or 50% of the sampled commercial loans sampled were made inside the identified lending areas. The following table details the bank’s home loan and commercial lending performance within the AAs:

FNBG Lending in Assessment Areas					
<i>Loan Type</i>	<i>Number of Loans</i>				
	Inside		Outside		Total
	#	%	#	%	
Home Loans	204	67%	100	33%	304
Commercial Loans	10	50%	10	50%	20
Totals	214	66%	110	34%	324

Source: 1990 Census data, data reported under the HMDA for home mortgage loans originated between 1999-2002, and a sample of 20 commercial loans originated between 1999-2002.

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

The distribution of residential real estate lending reflects reasonable penetration among individuals of different income levels including low- and moderate-income borrowers and is reflective of overall satisfactory performance. Conclusions from the Montgomery County AA were provided the most weight in the performance evaluation of this area as loans originated in this AA represented 60% of all HMDA loans made during the review period, with the Butler County and Warren County AAs accounting for only 24% and 16%, respectively.

To determine the bank’s performance in this area, the 204 HMDA reported loans originated in the identified areas between 1999 and 2002 were evaluated by borrower income level. The information and tables below detail the bank’s performance in this area in relation to each applicable AA.

In addition, the bank’s record of lending to business and farms of different sizes is reasonable and further supports the overall conclusion in this area. To determine performance for business lending, 39 commercial loans originated between 1999 and 2002 were evaluated by business revenue size for the Butler County and Montgomery County AAs.

Montgomery County (MSA #2000) AA:

To determine the bank's performance in this area, the 123 HMDA reported loans originated between 1999 and 2002 in the Montgomery County AA were evaluated by borrower income level. The analysis shows that the bank made 27 (22%) of its loans to low-income borrowers, 38 (31%) to moderate-income borrowers, 32 (26%) to middle-income borrowers, and 22 (18%) to upper-income borrowers, with four (3%) not reporting income information. The bank's lending to low-income borrowers in this AA significantly exceeds the AA demographic (14%). In addition, the bank's level of lending to moderate-income borrowers also significantly exceeds the AA demographic (19%). Overall, this dispersion is considered excellent and meets standards for outstanding performance in this AA. Conclusions from this AA were provided the most weight in the performance evaluation of this area as it represented 60% of all HMDA loans made during the review period. The table below demonstrates the bank's dispersion of home loans by borrower income in the Montgomery County AA and compares this dispersion to the AA's specific family income composition.

Dispersion of HMDA Home Loans By Borrower Income vs. AA Family Income Composition Originated in the Montgomery County (MSA #2000) AA					
Income Category	<i>HMDA Home Loans Originated in 1999 – 2002</i>				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	27	22	314	7	14%
Moderate	38	31	1,462	34	19%
Middle	32	26	1,208	28	26%
Upper	22	18	942	22	41%
NA	4	3	379	9	NA
Totals	123	100	4,305	100	100%

Source: 1990 Census Data and 1999-2002 HMDA Reported Loans.

Lending to businesses of different sizes in the Montgomery County AA is reasonable when compared to the AA business dispersion and further supports satisfactory performance. All nineteen business loans sampled (100%), were originated to businesses with annual revenues of \$1 million or less compared to the demographic information showing that 87% of AA businesses have revenues of \$1 million or less.

Butler County (MSA #3200) AA:

To determine the bank's performance in this area, the 49 HMDA reported loans originated in the Butler County AA between 1999 and 2002 were evaluated by borrower income level. The analysis shows that the bank made nine (18%) of its loans to low-income borrowers, seven (14%) to moderate-income borrowers, 12 (25%) to middle-income borrowers, and 12 (25%) to upper-income borrowers, with nine (18%) not reporting income information. Lending to low- and moderate- income borrowers is less than the AA demographic (26% and 20%, respectively). Although the lending to low- and moderate-income borrowers is low, when considering that

13% of the AA population is below the poverty line and may have difficulty meeting minimum credit standards and affording the median housing price of \$58,217, this dispersion becomes more reasonable. Also, the level of home loan activity in this AA is low, accounting for only 24% of all HMDA originations during the review period, with the Butler County AA averaging only about 12 HMDA originations per year reviewed. Overall, this dispersion is weak and is not representative of satisfactory performance. However, due to the limited activity, this AA was provided less weight in determining the bank's overall performance level in this area. The following table demonstrates the banks dispersion of home loans by borrower income in the Butler County AA and compares this dispersion to the AA's specific family income composition.

Dispersion of HMDA Home Loans By Borrower Income vs. AA Family Income Composition Originated in the Butler County (MSA #3200) AA					
Income Category	<i>HMDA Home Loans Originated in 1999 – 2002</i>				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	9	18	132	5	26%
Moderate	7	14	244	9	20%
Middle	12	25	599	21	26%
Upper	12	25	803	28	28%
NA	9	18	1,045	37	NA
Totals	49	100	2,823	100	100%

Source: 1990 Census Data and 1999-2002 HMDA Reported Loans.

Lending to businesses of different sizes in the Butler County AA is reasonable when compared to the AA business dispersion and further supports satisfactory performance. Sixteen of twenty (80%) business loans sampled were originated to businesses with annual revenues of \$1 million or less compared to the demographic information showing that 81% of AA businesses have revenues of \$1 million or less.

Warren County (#MSA 1640) AA:

To determine the bank's performance in this area, the 32 HMDA reported loans originated between 1999 and 2002 in the Warren County AA were evaluated by borrower income level. The analysis shows that the bank made three (9%) of its loans to low-income borrowers, seven (22%) to moderate-income borrowers, 12 (37%) to middle-income borrowers, and six (19%) to upper-income borrowers, with four (13%) not reporting income information. Lending to low-income borrowers in this AA is less than the AA demographic (19%). When considering that

9% of the AA population is below the poverty line and may have difficulty meeting minimum credit standards and affording the median housing price of \$59,500, this dispersion becomes more reasonable. In addition, the bank's level of lending to moderate-income borrowers exceeds the AA demographic (19%). Also, the level of home loan activity in this AA is low, accounting for only 16% of all HMDA originations during the review period, with the Warren County AA averaging only about six HMDA originations per year reviewed. Given these mitigating factors, overall borrower dispersion in this AA is acceptable and meets standards for satisfactory performance in the AA. Due to the limited activity, this AA was provided less weight in determining the bank's overall performance in this area. The table below demonstrates the banks dispersion of home loans by borrower income in the Warren County AA and compares this dispersion to the AA's specific family income composition.

Dispersion of HMDA Home Loans By Borrower Income vs. AA Family Income Composition Originated in the Warren County (MSA #1640) AA					
Income Category	<i>HMDA Home Loans Originated in 1999 – 2002</i>				% Of AA Families by Income Category
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	3	9	90	7	19%
Moderate	7	22	196	14	19%
Middle	12	37	457	33	29%
Upper	6	19	246	18	33%
NA	4	13	373	28	NA
Totals	32	100	1,362	100	100%

Source: 1990 Census Data and 1999-2002 HMDA Reported Loans.

FNBG did not originate sufficient small business loans in the Warren County AA during the review period for an analysis of borrower distribution of business loans to be meaningful and was not evaluated.

Geographic Distribution of Loans

FNBG's geographic distribution of loans is reasonable and meets the standards for satisfactory performance. Residential real estate lending is the bank's primary line of business and more weight was given to this product than business loans.

To determine the bank's performance in this area, we again used the 204 HMDA loans originated in the identified areas between 1999 and 2002, but evaluated them by income

geography. This information was then compared against the AA's level of owner-occupied housing units in each income category. However, as the Montgomery County AA has only middle-income tracts, an analysis of geographic dispersion for this AA would not be meaningful and was not performed. Overall conclusions for this area were based on performance in the Butler and Warren County AAs only, but again home loan activity in both of these AAs was limited. The Montgomery County AA accounted for 123 (60%) 123 home loans) of all HMDA reportable loans made during the review period, with the Butler County and Warren County AAs accounting for only 49 and 32, respectively.

To determine the performance for business lending, the sample of 20 commercial loans originated in the Butler County MSA AA between 1999-2002 were evaluated by income geography. An insufficient number of commercial loans were originated in the Warren County MSA AA between 1999-2002 to evaluate AA performance.

Butler County (MSA #3200) AA:

To determine the bank's performance in this area, we again used the 49 HMDA loans originated in this AA between 1999 and 2002, but evaluated them by income geography. This information was then compared against the AA's level of owner-occupied housing units in each income category. This evaluation shows that the bank made six (12%) loans to low-income tracts, 21 (43%) to moderate-income tracts, 16 (33%) in middle-income tracts, and six (12%) to upper-income tracts. The bank's lending in low-income tracts significantly exceeds the level of owner-occupied housing in the AA for low-income tracts (5%) and exceeds this demographic for moderate-income tracts (40%). Overall, this dispersion is good and when compared with the overall geographic and demographic income composition of the AA, meets the standards for outstanding performance in the Butler County AA. The table below details the bank's home loan lending to different income geographies by number and dollars, and compares this activity to the level of owner-occupied housing units in each geography.

Dispersion of HMDA Home Loans By Geography Income vs. AA Owner Occupied Housing Units Originated in the Butler County (MSA #3200) AA					
Income Category	<i>HMDA Home Loans Originated in 1999 – 2002</i>				% Of AA Owner Occupied Housing Units
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	6	12	142	5	5%
Moderate	21	43	821	29	40%
Middle	16	33	1,171	42	37%
Upper	6	12	689	24	18%
Totals	49	100	2,823	100	100%

Source: 1990 Census Data and 1999-2002 HMDA Reported Loans.

FNBG's geographic distribution for business loans, as illustrated in the following table, indicates performance that is significantly lower than the percentage of businesses in low- and moderate-income census tracts and does not meet the standards for satisfactory performance for the Butler County AA. However, as noted in the Description of Institution section of this document, FNBG's primary business focus is residential real estate lending. Therefore, the bank's lack of business loans in the AA had minimal impact on the bank's CRA rating. Geographic analysis of Butler County's lending activity revealed that five loans or 25% of the business loans sampled were originated in low- or moderate-income geographies.

Geographic Distribution of Loans to Businesses by AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Butler Co. MSA	8%	0%	52%	25%	32%	70%	8%	5%
Warren Co. MSA	0%	NR	19%	NR	81%	NR	0%	NR

Source: Sample of 20 commercial loans in Butler County originated between 1999-2002.

* NR= Insufficient number of loans in AA to evaluate AA performance

Warren County (MSA #1640) AA:

To determine the bank's performance in this area, we again used the 32 HMDA loans originated in this AA between 1999 and 2002, but evaluated them by income geography. This information was then compared against the AA's level of owner-occupied housing units in each income category. As this AA contains no low- or upper-income tracts, conclusions are based on the penetration of the other two income categories only. This evaluation shows that the bank made zero loans to moderate-income tracts and 32 (100%) to middle-income tracts. This dispersion is poor when compared with the overall geographic and demographic income composition of the Warren County AA. The factors described below explain the bank's performance in this geography.

While the bank's home loan activity in the moderate-income tract is well below the demographic make-up, this AA has only one moderate-income tract. Additionally, this one moderate-income tract contains only 18% of all AA population and only 18% (633) of all AA households. The one moderate-income tract contains only 16% of the AA's owner occupied housing stock, with 84% contained in the other two AA tracts. In general, the combination of a low percentage of home ownership and a low percentage of the AA's population limits the bank's home loan opportunities in this geography. Also, this AA noted only 32 home loans made during the four-year review period. The table below details the bank's home loan lending in different income geographies by number and dollars, and compares this activity to the level of owner-occupied housing units in each geography.

Dispersion of HMDA Home Loans By Geography Income vs. AA Owner Occupied Housing Units Originated in the Warren County (MSA #1640) AA					
Income Category	<i>HMDA Home Loans Originated in 1999 – 2002</i>				% Of AA Owner Occupied Housing Units
	Number of Loans	Percentage	Amount of Loans (000's)	Percentage	
Low	NA	NA	NA	NA	NA
Moderate	0	0	0	0	16%
Middle	32	100	1,362	100	84%
Upper	NA	NA	NA	NA	NA
Totals	32	100	1,362	100	100%

Source: 1990 Census Data and 1999-2002 HMDA Reported Loans.

FNB did not originate sufficient small business loans in the Warren County AA during the review period for an analysis of geographic distribution of business loans to be meaningful and was not evaluated.

Montgomery County (MSA #2000) AA:

As the Montgomery County AA contains only middle-income tracts, an analysis of the geographic distribution of the bank’s lending activity for this AA would not be meaningful and was not performed.

Qualified Investments and CD Services

No qualified investments or community development services were submitted for consideration as part of this examination.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.