



PUBLIC DISCLOSURE

May 12, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Dennison
Charter Number 13802

105 Grant Street
Dennison, OH 44621

Office of the Comptroller of the Currency
Cleveland Field Office
200 Public Square, Suite 1610
Cleveland, OH 44114-2301

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 major factors that support this rating include:

- The bank's overall geographic distribution of loans reflects excellent dispersion throughout its assessment area (AA).
- The bank's distribution of loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The majority of the bank's lending is within its AA.
- The bank's loan-to-deposit ratio is reasonable given its size and financial condition and the credit needs of the community.

SCOPE OF EXAMINATION

We evaluated the First National Bank of Dennison's (FNB's or bank's) performance in relation to the Community Reinvestment Act (CRA) using full-scope CRA small bank procedures. We assessed the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for this examination was October 14, 2008 through May 12, 2014.

FNB's primary loan products are consumer installment, residential home mortgage, and commercial lending. Our analysis was based on a 40-item sample from each of the three loan products. The three samples were taken from loan activity between January 1, 2012 and December 31, 2013. FNB is not required to report Home Mortgage Disclosure Act (HMDA) data.

We utilized other supporting information while evaluating the bank's CRA performance. The information includes 2010 United States (U.S.) Census Data, bank records, deposit market share data, and information from governmental websites regarding the characteristics and economy of the bank's AAs. We also considered information derived from a member of the community through community contacts with local organizations.

DESCRIPTION OF INSTITUTION

FNB is an intrastate bank headquartered in Dennison, Ohio. As of March 31, 2014, the bank reported total assets of \$212 million. FNB is a wholly owned subsidiary of FNB, Inc. The holding company, also located in Dennison, Ohio, had total assets of \$212 million as of December 31, 2013. The bank has one related organization, Tuscvally Financial Inc., which is a holding company subsidiary and consumer-installment loan finance company started in May 2002. Tuscvally Financial Inc. was not included in our analysis. There have not been any significant changes to FNB's corporate structure, including merger or acquisition activities, since the last CRA evaluation.

FNB offers traditional banking products and services. Consumer installment, residential mortgages, and commercial lending are the bank’s primary loan products. The bank originates long-term mortgage loans for sale on the secondary market within the residential mortgage portfolio. Deposit products and services include various checking, savings, and certificate of deposit accounts. FNB does not have any financial, legal, or other impediments restricting its capacity to serve its community. The bank received a Satisfactory rating in its last CRA Performance Evaluation, dated October 14, 2008.

As of March 31, 2014, FNB reported net loans of \$120 million and net loans comprised 56.74 percent of average assets. During 2012 and 2013, FNB originated 2,513 consumer installment loans, 494 residential home mortgages, and 316 commercial loans. The loan portfolio composition by dollar amount is as follows:

Table 1 - Total Loan Portfolio Summary by Loan Product	
Loan Category	% of Average Gross Loans
Consumer Installment Loans	29.68
Residential Mortgages	32.88
Commercial Lending	37.44

Source: March 31, 2014 Report of Condition

DESCRIPTION OF ASSESSMENT AREA

FNB has one AA comprised of Tuscarawas County, Ohio. The AA has 21 census tracts. Within the AA, there are no low-income census tracts, four moderate-income census tracts, 16 middle-income census tracts, and one upper-income census tract. The AA meets the requirements of 12 C.F.R. § 25.41. It consists of contiguous geographies, and low- and moderate-income areas are not arbitrarily excluded. The following table highlights demographic information of the AA.

Table 2 - Demographic Information for the AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	21	0	19.05	76.19	4.76
Population by Geography	92,582	0	16.77	79.62	3.62
Owner-Occupied Housing by Geography	26,998	0	15.39	80.84	3.77
Businesses by Geography	6,799	0	14.84	81.76	3.40
Farms by Geography	439	0	13.21	85.19	1.59
Family Distribution by Income Level	24,774	18.65	19.19	23.21	38.95
Census Median Family Income (MFI)		52,111	Median Housing Value		\$113,012
HUD-Adjusted MFI: 2012		\$53,600	Families Below the Poverty Level		13.16%
HUD-Adjusted MFI: 2013		\$53,000	Unemployment Rate – Seasonal Unadjusted 2013		6.80%

Source: 2010 U.S. Census data and 2013 Dun & Bradstreet data

The national and local economies deteriorated during the evaluation period. However, Tuscarawas County was less impacted than some other parts of the state. According to Federal Deposit Insurance Corporation (FDIC) Regional Economic Conditions (RECON) report using U.S. Bureau of Labor Statistics data, the 2013 seasonally unadjusted unemployment rate for Tuscarawas County was 6.8 percent. This compares favorably to state and national averages of 7.3 percent and 7.4 percent, respectively, for that same period.

Agriculture and manufacturing provide for a majority of the employment opportunities in the area. Union Hospital is the county's largest employer as of 2010. Other major employers in the AA include the city and county government, Belden Brick, and Gradall. Within the AA, the population and economic centers are located in Dennison, Dover, New Philadelphia, and Uhrichsville.

Competition from other financial institutions in the AA is strong. Financial institutions in the AA range from local community banks to large regional and national institutions. Deposit data from the FDIC as of June 30, 2013 reflected that 17 depository institutions operate 40 offices within the county with a population of 93,000. The data also showed that FNB ranked third amongst the financial institutions, with 14.63 percent of the deposits in the area.

In assessing the bank's performance, we used OCC and bank information to identify the needs of the community. We also contacted an official from a local affordable housing agency who indicated their clients need affordable housing and weatherization to help offset utility costs. Their clients include veterans, seniors, families, and single parents. The official also indicated that the demand for rental housing has increased due to shale gas exploration in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's record of lending within the AAs meets the standard for satisfactory performance. In drawing conclusions, we placed more weight on consumer installment lending than residential mortgage and business lending due to the number of loans originated during the two-year review period.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size and financial condition and the credit needs of the community. The ratio meets the standard for satisfactory performance. The bank's average quarterly LTD ratio was 63.63 percent during the 24 quarters of the evaluation period. This was the lowest of the four Tuscarawas County banks and savings and loans of similar asset size (between \$45 million and \$255 million). The range for the three other institutions was from 91.04 percent to 96.81 percent. Despite its lower LTD ratio, FNB's performance is reasonable considering that the bank is an active residential mortgage lender that sells loans to the secondary market. FNB sold \$68 million of loans during the period of 2009 through

2013 period. FNB also received a large influx of deposits related to customers receiving oil and gas royalties, contributing to the declining LTD ratio.

Lending in Assessment Area

The bank's record of lending in the AA meets the standard for satisfactory performance, as the majority of the bank's loans were made inside the bank's AA. Our performance evaluation was based on a sample of 40 consumer installment, 40 residential home mortgages, and 40 commercial loans originated during 2012 and 2013. This sampling method was employed because the bank is not a HMDA-reporting institution. As shown in Table 3 below, 82.5 percent of the number of loans and 84.9 percent of the dollar volume of loans sampled were from the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000's)	%	\$ (000's)	%	
Consumer Installment	31	77.50	9	22.50	40	312	79.50	80	20.50	392
Residential Mortgages	35	87.50	5	12.50	40	3,532	85.91	579	14.09	4,111
Commercial Lending	33	82.50	7	17.50	40	2,251	84.04	427	15.96	2,678
Totals	99	82.50	21	17.50	120	6,095	84.87	1,087	15.13	7,181

Source: 2012 and 2013 sample loan data

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

FNB's lending to borrowers of different income levels represents reasonable penetration and meets the standard for satisfactory performance. Our performance evaluation was based on a sample of 31 consumer installment loans, 35 residential mortgage loans, and 33 commercial loans originated during 2012 and 2013 and located in FNB's AA.

Consumer Installment Loans

The overall distribution of consumer installment loans to borrowers reflects excellent penetration amongst individual income levels. FNB's portion of loans to low-income and moderate-income borrowers exceeds the percentages of low-income and moderate-income households in its AA. Table 4a shows the distribution of the 31 sampled consumer installment loans from the AA.

Low		Moderate		Middle		Upper	
% 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
23.80	29.03	18.02	38.71	18.48	16.13	39.70	16.13

Source: 2012 and 2013 sample loan data and 2010 U.S. Census data

Residential Mortgage Loans

The overall distribution of residential mortgage loans to borrowers reflects a poor penetration among individuals of different income levels. Table 4b shows the distribution of the 35 sampled loans within the AA.

Table 4b - Borrower Distribution of Residential Mortgage Loans in AA							
Low		Moderate		Middle		Upper	
% 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
18.65	2.86	19.19	5.71	23.21	42.86	38.95	48.57

Source: 2012 and 2013 sample loan data and 2010 U.S. Census data

The portion of loans to low-income borrowers is low, even when considering that 13.16 percent of families in the AA live below the poverty line. It is especially difficult for this segment of the low-income population to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. The distribution of home loans to moderate-income borrowers reflects poor penetration at 5.71 percent, compared to 19.19 percent of moderate-income families in the AA. However, this was based on a relatively small loan sample size.

Commercial Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Our conclusion is based on 33 business loans made during 2012 and 2013. Loans to businesses with annual revenues of \$1 million or less accounted for 68.75 percent of the loans sampled. Loans made to businesses with annual revenue of \$1 million or less by dollar amount accounted for 73.54 percent. This is reasonable compared to demographic data that shows 71.99 percent of the area’s businesses are considered small businesses. The following table shows the distribution of business loans among different sized businesses in the AA.

Table 4c - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.99	5.03	22.98	100%
% of Bank Loans in AA by #	66.67	33.33	NA	100%
% of Bank Loans in AA by \$	73.54	36.76	NA	100%

Source: Business loan data sampled from 2012-2013; 2013 Dun & Bradstreet data

Geographic Distribution of Loans

The bank’s geographic distribution of loans among geographies of different income levels is excellent and exceeds the standard for satisfactory performance. Our geographic distribution analysis was based on the 31 consumer installment, 35

residential mortgage, and 33 commercial loans sampled that were originated within FNB’s AA during 2012 and 2013. We placed a majority of the weight on the geographic distribution of consumer installment loans because consumer installment loans made up a majority of the overall lending activity during the review period. Our conclusions are based on performance within moderate-income areas, as the AA has no low-income census tracts.

Consumer Installment

The bank’s geographic distribution of consumer installment loans reflects excellent dispersion throughout the census tracts of different income levels.

The following table shows FNB’s distribution of 31 sampled consumer installment loans among census tracts of different income levels during the two-year review.

Table 5a - Geographic Distribution of Consumer Installment Loans in AA								
Census Tract 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
	NA	NA	16.60	19.35	79.38	80.65	4.02	0.00

Source: 2012 and 2013 sample loan data and 2010 U.S. Census data

FNB’s portion of consumer installment loans to moderate-income census tracts is excellent and exceeds the percentage of moderate-income households in its AA.

Residential Mortgage Loans

The bank’s geographic distribution of home loans in this AA reflects a reasonable dispersion throughout census tracts of different income levels given the demographic composition of the AA.

The following table shows FNBs distribution of 35 sampled residential mortgage loans among census tracts of different income levels during the two-year review period.

Table 5b - Geographic Distribution of Residential Mortgage Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied	% of Number of Loans	% of AA Owner Occupied	% of Number of Loans	% of AA Owner Occupied	% of Number of Loans	% of AA Owner Occupied	% of Number of Loans
	NA	NA	15.39	14.29	80.84	85.71	3.77	0.00

Source: 2012 and 2013 sample loan data and 2010 U.S. Census

Commercial Lending

The bank’s geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. The percentage of loans made in moderate-income tracts exceeds the percentage of AA businesses located in moderate-income areas.

Table 5c - Geographic Distribution of Loans to Businesses in 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
	NA	NA	14.84	18.18	81.76	81.82	3.40	0

Source: Business loan data sampled from 2012-2013; 2013 Dun & Bradstreet data

Responses to Complaints

The bank has not received any written complaints during the evaluation period related to its performance in meeting the credit and deposit needs of the AAs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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