



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 09, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Dennison
Charter Number 13802**

**105 Grant Street
Dennison, OH 44621**

**Comptroller of the Currency
Adc - Northern Ohio
3 Summit Park Drive, Suite 530
Independence, OH 44131**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support FNB's rating include:

- A substantial majority of loans were originated in the assessment area.
- The bank does a satisfactory job of originating loans to borrowers of different incomes. The number of loans made to low-income families was lower than the amount of low-income families in the assessment area, but the loans made to moderate-income families was equal to the moderate-income families in the assessment area.
- The banks lending activity is satisfactory. Loan growth has increased since our last evaluation and net loan to deposit ratios are at a reasonable level. Ratios are also up since our last evaluation.

The last CRA performance evaluation for this institution was prepared June 4, 1998 and resulted in a Satisfactory evaluation.

DESCRIPTION OF INSTITUTION

First National Bank is a \$143 million independent bank headquartered in Dennison, Ohio. Dennison is located in southeastern Ohio. The bank has four banking offices. In addition to the main office located in Dennison, there are two branches in New Philadelphia, one branch in Dove, and one branch in Gnadenhutten. These offices all offer full service lending and deposit products. Each office has a 24 hour accessible ATM except Gnadenhutten.

The bank's primary business focus is real estate lending, which represents 45.39% of the banks loan portfolio. The portfolio consists of 35.36% consumer real estate lending, 8.41% commercial real estate lending and 1.62% farmland, 15.75% commercial loans, 38.19% loans to individuals, and .67% agriculture. Traditional banking products are offered and the bank has tailored its services to meet community credit needs. The bank offers conventional purchase money mortgages and makes small balance loans. Net loans to total assets equal 67.64%.

There are no financial or legal impediments that could prevent the bank from meeting its community credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of the entire county of Tuscarawas. Tuscarawas County consists of twenty BNAs. Of these geographies 25% are moderate-income and 75% are middle-income. All branch offices and ATMs are located within the designated assessment area. The

area is basically rural, with varied manufacturing, agriculture and other service industries. The Assessment Area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The Department of Housing and Urban Development (HUD) updated median family income for the assessment area is \$29,255 for the year 2002. The 1990 census Bureau lists the assessment area population at 84,090 persons, which comprises 23,755 families. Of these families 18% are low-income, 20% are moderate-income, 27% are middle-income, and 35% upper-income. Thirty-one percent of the household income in this assessment area is derived from social security. Households with incomes below the poverty level are 12%, with 7% of the households relying on public assistance. Housing units consist of 71% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$50,065.

As of December 2002, the Tuscarawas County unemployment rate was 5.6%. This is above the Ohio state unemployment rate of 5.0% and just below the national rate of 5.7%. Over the length of the evaluation period, unemployment trends have remained relatively the same with only slight fluctuations.

The local economy is stable and influenced by local employers such as Tusco Grocers, and IMCO, which is involved in manufacturing. Within the assessment area, the population and economic centers are located in Dennison, New Philadelphia, and Gnadenhutton. The market for financial services is highly competitive. Other financial institutions of similar size operating within the bank's assessment area, are Cambridge Savings, which is the banks main competitor, two local credit unions, and branches of larger institutions including, National City Bank and Bank One.

One community contact was made during this exam. Our interview noted a need for affordable housing and rehabilitation for existing housing. Tuscarawas County is a rural area and the need for affordable housing and rehabilitation is a high priority. They also indicated a need for affordable residential mortgage loans for first time buyers. FNB offers all of these products in their efforts to meet the needs of the community. Other financial institutions in the assessment area also offer these products. Competition for these types of loans is high.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio meets the standards for satisfactory performance. The bank's average quarterly net loan-to-deposit ratio for the time period third quarter 1998 through September 30, 2002 is 73.95%. The banks loan to deposit ratio has shown an increase from third quarter end 1998 (71.24%) until quarter end 9/2002 (76.07%). The bank's loan to deposit ratio is lower than the average performance of similar sized institutions. No financial institutions of similar size operate within the bank's assessment area. Therefore, a comparison of local peer banks was not possible. In comparison to its state peer group of banks of similar size (79.17%), FNB's loan to deposit ratio appears reasonable.

Lending in Assessment Area

FNB's record of lending in the assessment area is satisfactory. The following table details the bank real estate lending and consumer lending within the assessment areas by number of loan originations and dollar volume since its last CRA evaluation. A random sample of thirty-five residential real estate loans and fifteen consumer loans were chosen to determine the bank's lending within the assessment area. The sample was chosen from loans made for the period of June 30, 1998 until September 30, 2002.

FNB's Lending Patterns for Consumer Installment and Real Estate Loans								
	Consumer Installment Loans				Real Estate Loans			
	#	% of #	\$ Amount	% of \$ Amount	#	% of #	\$ Amount	% of \$ Amount
Loans within AA	12	80%	116	67%	32	91%	1,259	86%
Loans outside AA	3	20%	56	33%	3	9%	390	14%
Total	15	100%	172	100%	35	100%	1,649	100%

Lending to Borrowers of Different Incomes

FNB does not collect gross revenue information as part of its normal lending procedures. Therefore, a sample of 35 real estate loans and 15 consumer loans made in the assessment area since the previous CRA evaluation were analyzed in terms of the borrowers incomes.

Borrower Distribution by income level					
	Residential Real Estate		Consumer Loans		
Income Level	# of loans	%	# of Loans	%	Percentage of families in AA
Low	3	8%	3	20%	18%
Moderate	7	20%	3	20%	20%
Middle	4	11%	3	20%	27%
Upper	21	60%	6	40%	35%
Totals	35	100%	15	100%	100%

Residential Real Estate Loans

FNB's distribution of residential real estate loans to borrowers of different income levels is satisfactory. The level reflects the demographics of the bank's assessment area. Residential Real Estate loans to low-income borrowers is slightly low, but is considered reasonable. Lending to moderate-income borrowers equals the percentage of moderate-income families and

is considered satisfactory.

Consumer Loans

FNB's distribution of consumer loans to borrowers of different income levels is satisfactory. The level of lending reflects the demographics for both low-income and moderate-income borrowers for the bank's assessment areas. Consumer lending represents the bank's highest penetration of loan products to low-income and moderate-income borrowers within the assessment area.

Geographic Distribution of Loans

The bank's assessment area is made up of twenty BNA's with no low-income geographies. Five BNAs are moderate-income and fifteen BNAs are middle-income. The bank's geographic distribution of loans is good. We analyzed a sample of 35 home-purchase/refinance loans. The bank's distribution of home-purchase/refinance loans (number of loans) is well above the distribution of owner-occupied housing in the moderate-income BNAs.

Geographic Distribution of Home-Purchase/Refinance Loans in AA		
Census Tract Income Level	Loan Distribution by # of Loans	% of AA Owner Occupied Housing
Low	N/A	N/A
Moderate	69%	27%
Middle	31%	73%
Upper	N/A	N/A

Responses to Complaints

FNB has not received any written complaints about its performance in helping to meet the credit needs within its assessment areas during this evaluation period.

Fair Lending Review

An analysis of recent public comments and consumer complaint information, and Home Mortgage Disclosure Act (HMDA) was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.