



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Cleveland Field Office
3 Summit Park Drive, Suite #530
Independence, Ohio 44131
Phone 216-447-8866
Fax 216-447-9335

Public Disclosure

June 4, 1998

Community Reinvestment Act Performance Evaluation

The First National Bank of Dennison

Charter Number 13802

105 Grant Street
Dennison, Ohio 44621

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The First National Bank of Dennison, Dennison, Ohio** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **March 31, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated *Satisfactory*.

- The bank's lending activity is satisfactory. Loan growth has been flat since 1997. The average loan to deposit ratio is 76% and is slightly higher than peer banks.
- A substantial majority of loans were originated in the bank's 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 less than the amount of low- income families in the assessment area.
- Small lending activity is good. Businesses in the bank's assessment area are mostly small businesses with annual gross revenues of \$1 million or less. The bank did a good job of meeting the credit needs of the small businesses for loans in amounts of \$100,000 or less.
- The geographic distribution of loans is good. The number and dollar of loans originated to the moderate- income Block Numbering Areas (BNAs) exceeded the level of moderate- income BNAs in the assessment area.
- There were no complaints received since the last review.

Description of Institution

First National Bank of Dennison (FNBOD) is a \$116 million financial institution. It is owned by a one-bank holding company, FNB, Inc. FNBOD is headquartered in Dennison, Ohio. FNBOD has three other bank offices, Dover, Gnadenhutten, and New Philadelphia.

The bank is a consumer lender. The loan composition is detailed in the chart below.

Loan Portfolio Composition		
Loan Product	Outstanding Balance (000's) As of March 31, 1998	Percent of the Total Loan Portfolio
Residential	30,100	40%
Consumer	28,815	39%
Commercial	13,967	19%
Other	1,449	2%
Total	74,331	100%

Beginning December 1997, through the Community Bank Association of Ohio, FNBOD accepts applications for fixed-rate real estate loans. These applications are forwarded to another financial institution to be underwritten. FNBOD initiated 20 of these loans totaling \$1,388,600.

FNBOD is the only financial institution in Dennison. Competition is strong, particularly at the Dover location, from a credit union.

No legal or financial impediments exist affecting the institution's ability to meet credit needs.

Description of Tuscarawas County

FNBOD selected the entire Tuscarawas County as its assessment area. It is designated as a non-metropolitan statistical area. The areas consist of many low populated communities, less than 10,000 persons. The two largest cities are Dover and New Philadelphia with populations averaging between 12,000 and 17,000 each. The County consists of a fairly even mixture of urban and rural communities. Tuscarawas County has 20 block numbering areas (BNAs): five moderate- income and 15 middle- income areas. Moderate- income is defined as 50% to 79% of the median income. Moderate- income block numbering areas represent 25% of the total BNAs in Tuscarawas County. Housing units in the moderate- income BNAs represent 30% of the total housing units in the County. Middle- income is defined as 80%-119% of the median income. The 1998 U. S. Census median income for non-metropolitan areas in the State of Ohio is \$40,500.

The weighted average cost of median housing is \$50,065 with the average home being built in 1954. The majority of housing is owner-occupied, one-to-four family homes.

The unemployment rate of Tuscarawas County is 6.7% compared to the State of Ohio unemployment rate of 4.7% for the same period, March 1998. The unemployment rate for Tuscarawas County is much improved from previous years, including 1995's unemployment rate of approximately 9%. The high unemployment rate is tied to the depressed economic conditions resulting from the dissolution of the strip mining industry. Improvement in the unemployment rate is attributable to land development and the influx of new industries and businesses.

Major employers include manufacturing concerns such as Allied Machine & Engineering, Castech Aluminum Group, and Bristol-Myers Squibb. Based on information published by the Ohio Department of Development, since 1995 the Wholesale and Retail Trade Industry employed the most workers (9,732); the total labor force estimate for Tuscarawas County was 45,658.

LOAN TO DEPOSIT RATIO

The average loan to deposit ratio over the last nine quarters, January 1996 through March 1998, is 76%. This ratio declined steadily through 1997 due to flat lending activity coupled with steady deposit growth. Deposit growth is tied to the New Philadelphia Office. The bank's average loan to deposit ratio compares favorably to the 72% ratio of peer banks, banks of similar size and characteristics.

LENDING WITHIN THE ASSESSMENT AREA

The bank made a substantial amount of real estate loans within the assessment area. An analysis of real estate loan originations from January 1996 to March 31, 1998 was made to determine where the bank is making its loans. A bank generated computer report of real estate originations for this time period was used for the analysis.

The following chart shows a substantial amount, 92%, of the real estate loans originated within the assessment area. The analysis showed only a few loans were made outside of Tuscarawas County in adjacent counties, and within 20 miles of a FNBOD Office.

Residential Lending Originations - January 1996 through March 1998								
	TOTAL ORIGINATED - BY YEAR				TOTAL WITHIN- BY YEAR			
	#	%	\$(000's)	%	#	%	\$(000's)	%
1996	128	48%	6,976	51%	117	48%	6,620	51%
1997	108	41%	5,238	38%	99	40%	4,871	38%
1998	30	11%	1,519	11%	29	12%	1,464	11%
Total	266	100%	13,733	100%	252	100%	12,955	100%
Total Within to Total Originated						92%		94%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

Lending to borrowers of different incomes is satisfactory. Lending to borrowers of different incomes was analyzed using a sample of the first quarter 1998 real estate loan originations. The bank primarily originated loans to upper- income families. The number of loans originated to low- income applicants was slightly less proportionate to the amount of low- income families in the assessment area. The number of loans originated to moderate- income families was higher than the percentage of those families in the assessment area.

Real Estate Loan Originations By Income - First Quarter 1998					
	Percent of Families in the Assessment Area	Loans Originated			
		#	%	\$(000's)	%
Low- income	18%	3	10%	107	7%
Moderate- income	20%	10	35%	442	30%
Middle- income	27%	1	3%	60	4%
Upper- income	35%	13	45%	858	57%
NA	0	2	7%	32	2%
Total	100%	29	100%	1,499	100%

Small Business Lending

Small business lending is good. Commercial lending, particularly farm loans, represents a small portion of the bank's lending activity. Commercial lending is primarily in amounts of \$100,000 or less. The bank's assessment area is mostly "small business" with annual gross revenues of \$1 million or less. The following chart is based on Regulatory Reports for June 1996 and June 1997 information.

Small Lending Activity								
Loan Amount	Small Business Loans				Small Farm Loans			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Less than \$100,000	914	91%	21,495	67%	171	93%	2,902	74%
Other	86	9%	10,570	33%	12	7%	1,035	26%
Total	1,000	100%	32,065	100%	183	100%	3,937	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans is good. FNBOD does not track loans based on income of the geographies within the assessment area. Loans are tracked based on geographic location. The following analysis is based on FNBOD's real estate loan originations for the first quarter 1998. FNBOD makes a substantial amount of its loans in the moderate- income BNAs. Over half of the loans originated were made in the moderate- income BNAs even though they represent only one fourth of the total geographies in the assessment area. There are no low- income BNAs in the assessment area.

Geographic Distribution of Loans					
Income Level BNAs	BNA as a Percent of total BNAs	Originations January through March 1998			
		#	%	\$(000's)	%
Low- income	NA	NA	NA	NA	NA
Moderate- income	25%	16	55%	703	48%
Middle- income	75%	13	45%	755	52%
Upper- income	0%	NA	NA	NA	NA
Total	100%	29	100%	1,458	100%

Responses to Complaints

The bank has not received any CRA related complaints since the last examination.

Compliance with Anti-Discrimination Laws

The bank is in compliance with the substantive provisions of the fair lending laws. We tested a sample of purchase and refinance real estate loans to determine if credit standards were consistently applied and if rates and terms offered were similar for different borrowers. We found no evidence of discrimination.