



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 14, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Dennison
Charter Number 13802

105 Grant Street
Dennison, OH 44621-0000

Office of the Comptroller of the Currency

NORTHERN OHIO
3 Summit Park Drive Summit Office Park, Suite 530
Independence, OH 44131-6900

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.

First National Bank of Dennison (FNBD) performance is considered satisfactory based on:

- The loan to deposit ratio is satisfactory.
- The distribution of loans within its assessment area is excellent.
- Lending to borrowers of different incomes is adequate with reasonable penetration.
- The banks geographic distribution of loans is excellent.

SCOPE OF EXAMINATION

Conclusions regarding the bank's lending performance are based on home mortgage and installment loans from January 1, 2004 through December 31, 2007.

Home mortgage loan products include purchase, home improvement and refinance. Since the bank is not a HMDA reporter, a sample of home mortgage loans made during the evaluation period were used in our analysis after their data integrity was found to be within regulatory parameters of accuracy. As installment loans comprise the second largest portion of the lending portfolio, we also reviewed a sample of this product.

The bank's primary assessment area is Tuscarawas County. Tuscarawas County lies in the northeast corner of the state with Dennison, Dover, New Philadelphia and Uhrichsville as its largest communities.

Our review included contacting a local housing and social service agency group to ascertain community credit needs. The contact also stated the local financial institutions were offering products to help meet these needs. These findings will be addressed in the Description of the Assessment Area portion of the evaluation.

DESCRIPTION OF INSTITUTION

The First National Bank of Dennison (FNBD) is headquartered in Dennison, Ohio. There is no defined MSA code for the bank. As of December 31, 2007, the bank reported total assets of \$165 million. FNBD is a wholly-owned subsidiary of FNB holding company. The holding company also located in Dennison, Ohio, has total assets of \$17.6 million. The holding company subsidiary, Tuscvally Financial Inc., a finance company for consumer installment loans, was started in May 2002 and not included in our analysis.

FNBD is a full-service lender offering several loan and deposit products. FNBD offers

various consumer loans including: conventional home mortgage loans, home improvement and refinance loans and a full range of business and agricultural loans. As of December 31, 2007 net loans were 62% of total assets, comprised primarily of real estate loans representing 55% of average gross loans (AGL). Broken down by product line, 1-4 family residential real estate was 32% of AGL, commercial real estate was 20% of AGL and construction/development was 3% of AGI.

The remainder of the loan portfolio by product type consisted of consumer loans at 37% of AGL, commercial/industrial loans at 7% of AGL, and municipal loans and agricultural loans making up the balance of the portfolio.

The bank operates five full-service branches in Tuscarawas County. All of the bank's full-service branches offer drive-up facilities and ATMs. No branch offices have opened or closed since the last CRA examination. Historically FNBD has been a retail bank lending predominately to home mortgage and consumer loan customers. Commercial and agricultural lending has consistently made up a small portion of the loan portfolio.

Conclusions regarding the Performance Criteria are based on data collected for calendar years 2004 through 2007. Although FNBD is not a HMDA reporter, the evaluation of the bank's performance includes samples of both HMDA data and installment loans originated within its assessment area.

The last CRA performance evaluation for this institution was prepared December 9, 2002 and resulted in a Satisfactory evaluation.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. FNB's Tier 1 Capital Level is \$16.6 million representing 10% of adjusted average assets as of December 31, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

This AA consists of 20 geographies. All geographies are located in Tuscarawas County. Within the AA, there are no low-income geographies, three moderate-income geography (15% of geographies), fifteen middle income geographies (75% of geographies), and two upper-income geographies (10% of geographies).

The unemployment rate as of December 2007 for Tuscarawas County is 5.9%. This is essentially equal to the Ohio state unemployment rate of 6.0% and higher than the national rate of 5.0%. Over the length of the evaluation period, county unemployment trends have slightly increased from 5.6% in 2002 to 5.9% in 2007. Historically, Tuscarawas County economy is manufacturing oriented, but also includes education, medical, and state and local government. Largest employers include, but are not limited to Lauren Manufacturing, Gradall, Laurel Grocers, and IMCO. Major employers also include Mt. Union and Twin Cities Hospital along with Tuscarawas County government and services. Within the assessment area, the population and economic centers are located in Dover, Dennison, New Philadelphia, and Uhrichsville.

The HUD 2007 adjusted median family income in the AA is \$50,000. The 2000 census bureau lists the assessment area population as 90,914 persons, which comprises 25,396 families. Of these families, 18.32% in the AA are low-income, 21.03% of the families are moderate-income, 25.16% of the families are middle-income, and 35.49% are upper-income. There are 35,637 households. Of these households, 22.08% in the AA are low-income, 18.94% of the households are moderate-income, 22.50% of the households are middle-income, and 36.47% are upper-income. In addition, approximately 9.80% of the households are below poverty level with 2.44% relying on public assistance. Thirty percent of the household income is derived from social security. Housing units consist of 70% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$86,258.

We made one contact with an affordable housing and social service agency within the community to discuss the community credit needs.

The following credit and non-credit related needs were identified in this AA:

- A residential lending program that targets aging houses in local neighborhoods utilizing reduced fees and down payments.
- Continued need for rehabilitation loans for home improvements/renovations to older homes as well as constructing affordable housing units.
- Foreclosure assistance and mitigation efforts to keep residents in their homes.
- Provide funds and/or personnel to provide financial literacy and credit counseling programs.

Competitors in the AA include local community and large regional banks as well as local thrifts and credit unions. Major competitors in the AA include Huntington, Chase, and First Federal Community Bank. Market share data for these competitors are 30%, 13%, and 11%, respectively. First National Bank market share for this AA is 12%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is considered satisfactory overall with individual component ratings ranging from adequate to excellent as explained below.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is satisfactory and meets the standards for satisfactory performance given the bank's size, financial condition, credit needs.

For analysis purposes, the bank's current and 21-quarter average LTD ratios were compared with a peer group of twenty-five banks with total assets between \$100 and \$300 million with five branches or less. The analysis shows the bank's loan-to-deposit ratio (LTD) as of December 31, 2007 was 67.87% which is less than the peer 4th quarter average of 75.21%. When shown over the previous 21 quarters the LTD ratio equals 74.73% and is comparable to the peer average of 76.56%. This ratio has shown a

decreasing trend in recent years as the bank is experiencing a drop in loan volume due to uncertain economic times.

Lending in Assessment Area

Our performance evaluation was based on a sample of sixty home mortgage loans and 20 installment loans originated by the bank during the evaluation period. Installment loans were also evaluated as they comprise the second largest segment of the loan portfolio. The sampling method was employed as the bank is not a HMDA-reporting institution.

FNBD’s record of lending in the assessment area is excellent and exceeds the standards for satisfactory performance.

The following table details FNBD’s lending in the AA by number of loan originations and dollar volume during the evaluation period.

Record of Lending within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Home Purchase.	18	90.00	1,136	88.54	2	10.00	147	11.46
Home Refinance	15	75.00	1,173	86.82	5	25.00	178	13.18
Home Improvement	19	95.00	1,047	97.58	1	5.00	26	2.42
Total	52	86.67	3,356	90.53	8	13.33	351	9.47
Installment	18	90.00	332	88.00	2	10.00	45	12.00
Grand Total	70	87.50	3,688	90.30	10	12.5	396	9.70

Source: 2004 through 2007 home mortgage and installment loan sample data and 2000 US Census data.

FNBD’s record of lending in the assessment area is excellent and exceeds the standards for satisfactory performance. Over 87 percent of the total number of loans and 90 percent of total loan dollars originated by the bank during the evaluation period are located within its AAs. These percentages are based on a sample of home mortgages and installment loans originated by the bank during the evaluation period.

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

Our performance evaluation was based on a sample of sixty-five home mortgage loans and 21 installment loans originated by the bank during the evaluation period.

FNBD's borrower distribution for home mortgage lending is adequate and reflects reasonable penetration.

Overall lending to borrowers of different income levels is adequate and reflects

reasonable penetration. The tables below detail the bank's lending to borrowers of different income levels by number of loan originations and dollar volume during the evaluation period.

FNBD's distribution of home purchase loans is excellent and reflects outstanding penetration among individuals of different income levels.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans - Purchase				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	5	22.73	288	19.14	18.32
Moderate	6	27.27	247	16.41	21.03
Middle	5	22.73	474	31.50	25.16
Upper	6	27.27	496	32.96	35.49

Source: 2004 through 2007 home mortgage loan sample data and 2000 US Census data.

FNBD's origination of home purchase loans to low and moderate-income borrowers exceeds the number of low- and moderate-income families residing in its AA.

FNBD's distribution of home improvement loans is adequate and reflects reasonable penetration among individuals of different income levels.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans – Home Improvement				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	3	13.64	70	5.15	18.32
Moderate	5	22.73	232	17.07	21.03
Middle	4	18.18	207	15.23	25.16
Upper	10	45.45	850	62.55	35.49

Source: 2004 through 2007 home mortgage loan sample data and 2000 US Census data.

Although FNBD's origination of home improvement loans to low -income borrowers is below the number of low-income families residing in its AA, the distribution of home improvement loans to moderate-income borrowers is slightly higher than the percentage of moderate-income families residing in its AA. As previous noted in the performance context portion of the PE, the 9.80% poverty rate limits the bank opportunities to lend to low-income families.

FNBD's distribution of home refinance loans reflects adequate penetration among

individuals of different income levels.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans – Refinancing				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	2	9.52	77	4.42	18.32
Moderate	4	19.05	258	14.81	21.03
Middle	8	38.10	622	35.71	25.16
Upper	7	33.33	785	45.06	35.49

Source: 2004 through 2007 home mortgage loan sample data and 2000 US Census data.

Although FNBD's origination of home refinance loans to low -income borrowers is below the number of low-income families residing in its AA, the distribution of home refinance loans to moderate-income borrowers is comparable to the percentage of moderate-income families residing in its AA. As previous noted in the performance context portion of the PE, the 9.80% poverty rate limits the bank opportunities to lend to low-income families.

FNBD's distribution of installment loans reflects adequate penetration among individuals of different income levels.

Distribution of Lending by Borrower Income Level					
	Installment Loans				Percentage of Households in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	2	9.52	86	25.75	22.08
Moderate	4	19.05	128	33.86	18.94
Middle	8	38.10	109	28.84	22.50
Upper	7	33./33	378	14.55	36.47

Source: 2004 through 2007 installment loan sample data and 2000 US Census data.

Although FNBD's origination of installment loans to low -income borrowers is below the number of low-income households in its AA, the distribution of installment loans to moderate-income borrowers is comparable to the percentage of moderate-income households in its AA. As previous noted in the performance context portion of the PE, the 9.80% poverty rate and limits the bank opportunities to lend to low-income families.

Geographic Distribution of Loans

Our performance evaluation was based on a sample of sixty-five home mortgage loans and 21 installment loans originated by the bank during the evaluation period.

FNBD's geographic distribution for home mortgage and installment lending is excellent and exceeds the standards for satisfactory performance.

We considered the following factors in assessing the bank's lending performance in low- and moderate-income geographies. For home mortgage and installment loans, our review focused on the bank's lending performance relative to the level of households in moderate-income geographies. As previously noted, there are no low-income geographies in the bank's AA.

The bank's geographic distribution of home mortgage loans reflects excellent penetration performance.

	HMDA Geographic Distribution								Percentage of Owner-Occupied in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans* **		
	# of loans	% # of loans	# of loans	% # of loans	# of loans	%# of loans	# of loans	% # of loans	
Low	0	0.00	0	0	0	0	0	0	0.00
Moderate	9	40.91	6	27.27	3	14.29	18	27.69	16.71
Middle	13	59.09	14	63.64	17	80.95	44	67.69	75.52
Upper	0	0.00	2	9.09	1	4.76	3	4.62	7.77

Source: 2004 through 2007 home mortgage loan data and 2000 US Census data.

The performance of the bank in providing credit in moderate-income geographies exceeds the percentage of owner occupied housing within its AA.

The bank's geographic distribution of installment loans also reflects excellent penetration performance.

Distribution of Lending by Geographic Distribution					
	Installment Loans				Percentage of Household in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	0	0.00	0	0.00	0.00
Moderate	9	42.86	170	44.97	18.78
Middle	11	52.38	199	52.65	73.00
Upper	1	4.76	9	2.38	8.22

Source: 2004 through 2007 installment sample loan data and 2000 US Census data.

The performance of the bank in providing installment credit in moderate-income geographies exceeds the percentage of households within its AA.

Qualified Investments and CD Services (Optional)

As FNBD did not request consideration for an outstanding rating, this area was not reviewed.

Responses to Complaints

FNBD has not received any written complaints regarding its performance in meeting the credit and deposit needs of its AA during the evaluation period

Fair Lending or Other Illegal Credit Practices Review

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