



## **PUBLIC DISCLOSURE**

March 17, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Pandora  
Charter Number 11343

102 East Main St.  
Pandora, OH 45877

Office of the Comptroller of the Currency

Westlake Center  
4555 Lake Forest Drive, Suite 520  
Blue Ash, OH 45242-3760

**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 Pandora (FNB or bank) exhibits a **Satisfactory** record of meeting the credit needs in its community.

- The bank's 21-quarter average loan-to-deposit ratio is reasonable.
- FNB is responsive to its community's credit needs as a majority of the loans were made within the bank's assessment area (AA).
- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.
- FNB's performance in lending in geographies of different income levels exhibits reasonable dispersion.

## **SCOPE OF EVALUATION**

The OCC conducted a Community Reinvestment Act (CRA) evaluation to assess the bank's record of meeting the credit needs of its entire community, including low- and moderate-income areas. We used small bank evaluation procedures to evaluate the bank's performance.

Our review focused on the bank's primary lending products, which are business (commercial and commercial real estate) and residential real estate loans, as determined through discussions with management and the volume of loan originations during the evaluation period (January 1, 2012 to December 31, 2013).

To perform our evaluation we sampled 40 business loans originated during the evaluation period and used all of the originated residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) on the loan application register (LAR) from January 1, 2012 through December 31, 2013. To perform the borrower and geographic distribution analyses for business loans, we removed any loans in the original 40-loan sample that were made outside the AA and selected additional loans located inside the AA to ensure we used at least 40 business loans in our analysis. We used only the reported residential real estate loans made in the AA to perform the borrower and geographic distribution analyses for home loans. We used the 2010 U.S. Census data for our review.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Pandora is a wholly owned subsidiary of a one-bank holding company, Pandora Bancshares, Inc. Both FNB and its holding company are headquartered in the village of Pandora, Ohio. Pandora is located in Putnam County in northwest Ohio, approximately 110 miles northwest of Columbus, Ohio. Besides its main office in Pandora, FNB has three full service branches. One branch is in Bluffton, Ohio (Allen County), located eight miles southeast of Pandora, and the other two are the Findlay East and Findlay West branches in

Findlay, Ohio (Hancock County), which is approximately 20 miles northeast of Pandora. The bank opened the Findlay West branch in March 2012. FNB offers retail, commercial and agricultural banking products and services in all four of these full-service locations. In addition, the bank has one off-premise ATM on the campus of a local private college in Bluffton.

FNB’s primary business focus is residential real estate and commercial lending with some agricultural and consumer lending as well. No legal or financial impediments exist that could restrict FNB’s ability to meet the credit needs of its assessment area. FNB received a “Satisfactory” rating at its previous CRA evaluation dated September 29, 2008.

As of December 31, 2013, FNB reported total assets of \$146.5 million, \$127.9 million in total deposits, and \$91.5 million in net loans.

| <b>Table 1 - Primary Loan Types</b>  |   |            |  |            |
|--|---|------------|--|------------|
| <b>Loans originated or purchased from January 1, 2012 to December 31, 2013</b> |   |            |  |            |
| <b>Loan Type</b>   | <b>% by Dollars of Loans Originated or Purchased during evaluation period</b> |            | <b>% by Number of Loans Originated or Purchased during evaluation period</b> |            |
|  | <b>\$000’s</b>  | <b>%</b>   | <b># of Loans</b>  | <b>%</b>   |
| <b>Commercial</b>  | <b>\$33,276</b>   | <b>32%</b> | <b>331</b>   | <b>23%</b> |
| <b>Residential Real Estate</b>   | <b>\$58,154</b>   | <b>56%</b> | <b>635</b>   | <b>44%</b> |
| Individual Consumer Loans  | \$4,443   | 4%         | 399  | 27%        |
| Farm Loans   | \$7,917   | 8%         | 91   | 6%         |
| Total  | \$103,790   | 100%       | 1456   | 100%       |

*Source: Internal bank reports of loans originated from January 1, 2012 through December 31, 2013.*

## **DESCRIPTION OF ASSESSMENT AREAS**

FNB has two assessment areas (AA). The first AA is located in a non-Metropolitan Statistical Area (non-MSA) and the second AA is located within the Lima, Ohio MSA #30620 (MSA). Both AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

Our discussions with local directors of an affordable housing provider in Putnam County and Lima, OH indicate that community credit and banking needs, especially for low- and moderate-income borrowers and areas, are being met. Primary credit needs include residential real estate lending and loans to small businesses. The community contact stated that local banks have been generous with their assistance for all types of community programs.

### **Putnam and Hancock counties Non-MSA:**

FNB’s non-MSA AA consists of all of Putnam and Hancock counties and contains 2 moderate-income census tracts (CT), 6 middle-income CTs, and 12 upper-income CTs. The 2010 U.S. Census estimated median family income for non-MSA areas in Ohio of \$52,111. The Department of Housing and Urban Development (HUD) updated 2013 estimated median family income for non-MSA areas in the state of Ohio is \$53,000. As of the 2010 U.S. Census, the

population of the AA was 109,281 people with 43,425 households and 46,917 housing units. Please refer to the various tables in the **CONCLUSIONS ABOUT PERFORMANCE CRITERIA** section of this document for relevant demographic data used to evaluate FNB's lending performance in this AA.

Competition for loans and deposits is strong in this AA. Four other local community banks and branches of eight larger community, regional, and large national financial institutions accept deposits and make loans in Putnam and Hancock Counties. As of June 30, 2012, FNB had a 4.7 percent share of the deposit market in Putnam and Hancock counties.

The economic conditions of the non-MSA have remained relatively stable. The unemployment rates for Putnam and Hancock Counties averaged 6.3 percent and 6.0 percent, respectively for 2013, changing from 6.0 percent and 6.1 percent, respectively in 2012. During the same period, Ohio's state unemployment rate remained at 7.4 percent from 2012 to 2013. The national unemployment rate declined from 8.1 percent for 2012 to 7.4 percent for 2013. The AA's largest employers by industry are services, retail trade, agriculture, forestry, and fishing. The major employers include Cooper Tire & Rubber Company, Blanchard Valley Regional Health Center, Whirlpool Corp, and Marathon Petroleum.

#### **Lima MSA:**

The Lima MSA consists of two census tracts, one upper-income CT and one middle-income CT. Although the AA consists of only two census tracts, it is appropriate given FNB has only one branch in Allen County (Bluffton), which is located close to the county's northern border. The 2010 U.S. Census estimated median family income for the Lima MSA is \$55,549. The HUD updated 2013 estimated median family income for the Lima MSA is \$54,200. As of the 2010 U.S. Census, the population of this AA was 8,515 people with 3,008 households and 3,186 housing units. Please refer to the various tables in the **CONCLUSIONS ABOUT PERFORMANCE CRITERIA** section of this document for pertinent demographic data used to evaluate FNB's lending performance in this AA.

Competition for loans and deposits is strong in the Lima MSA AA. One other local community bank and branches of nine larger community, regional, and national financial institutions accept deposits and make loans in Allen County. As of June 30, 2013, FNB had a 2.0 percent share of the deposit market in Allen County.

The economic conditions of this AA are stable. Allen County's average unemployment rate has increased slightly from 7.8 percent for 2012 to 7.9 percent for 2013. This increase in Allen County's unemployment rate contrasts the stability of the state of Ohio's unemployment rate and decrease in national unemployment rates (noted above) during the same periods. The largest employers by industry are healthcare and social services, agriculture, foresting, fishing, and retail trade. Major employers in the AA include St. Rita's Medical Center, Metokote Corporation, and Procter & Gamble.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the criteria for the CRA lending test, the bank's lending performance is satisfactory.

### Loan-to-Deposit Ratio

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

FNB has an average loan-to-deposit ratio over the 21 quarters (December 31, 2008 through December 31, 2013) since the prior CRA evaluation of 71.70 percent. The bank's quarterly loan-to-deposit ratio ranged from a low of 63.88 percent (March 31, 2012) to a high of 81.31 percent (December 31, 2008). The average loan-to-deposit ratio for four similarly situated banks in Allen and Putnam counties was 76.56 percent as of December 31, 2013.

### Lending in the Assessment Area

The bank's record of lending within its AAs is satisfactory with a majority of loans made inside the AAs. We included the bank's residential real estate loans reported from the HMDA LAR and sampled 40 business loans originated during the evaluation period (primary products) to assess the bank's performance of lending in its assessment areas.

| <b>Table 2 - Lending in the Assessment Areas</b> |                 |     |         |     |       |                             |     |         |     |          |
|--|-----------------|-----|---------|-----|-------|-----------------------------|-----|---------|-----|----------|
| Loan Type  | Number of Loans |     |         |     |       | Dollars of Loans (in 000's) |     |         |     |          |
|  | Inside          |     | Outside |     | Total | Inside                      |     | Outside |     | Total    |
|  | #               | %   | #       | %   |       | \$                          | %   | \$      | %   |          |
| Home Purchase                                    | 36              | 52% | 33      | 48% | 69    | \$3,710                     | 50% | \$3,756 | 50% | \$7,466  |
| Home Refinance                                   | 103             | 74% | 37      | 26% | 140   | \$10,921                    | 70% | \$4,780 | 30% | \$15,701 |
| Home Improvement                                 | 0               | 0%  | 0       | 0%  | 0     | \$0                         | 0%  | \$0     | 0%  | \$0      |
| Business Loans                                   | 29              | 73% | 11      | 28% | 40    | \$3,452                     | 82% | \$764   | 18% | \$4,216  |
| Totals   | 168             | 67% | 81      | 33% | 249   | \$18,083                    | 66% | \$9,300 | 34% | \$27,383 |

*Source: Data reported under HMDA and business loan sample.*

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

Lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.

#### **Putnam and Hancock Counties Non-MSA**

The bank's distribution of residential real estate loans in the Non-MSA reflects reasonable penetration among borrowers of different income levels considering that 10.57 percent of

households live below the poverty level and may not be able to meet lending standards for home loans. Compared to the 2010 U.S. Census demographic data, FNB's lending to low-income borrowers is poor. However, compared to the demographic data, the bank's performance for lending to moderate-income borrowers is reasonable.

| <b>Table 3 - Borrower Distribution of Residential Real Estate Loans in the Non-MSA AA</b> |                  |                 |                  |                 |                  |                 |                  |                 |
|---|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| Borrower Income Level   | Low              |                 | Moderate         |                 | Middle           |                 | Upper            |                 |
| Loan Type   | % of AA Families | % of # of Loans | % of AA Families | % of # of Loans | % of AA Families | % of # of Loans | % of AA Families | % of # of Loans |
| Home Purchase   | 14%              | 4%              | 15%              | 13%             | 22%              | 35%             | 49%              | 48%             |
| Home Refinance  |                  | 3%              |                  | 15%             |                  | 32%             |                  | 50%             |
| Home Improvement  |                  | 0%              |                  | 0%              |                  | 0%              |                  | 0%              |
| Total Residential Real Estate Loans   | 14%              | 4%              | 15%              | 14%             | 22%              | 33%             | 49%              | 49%             |

Source: Data reported under HMDA; 2010 U.S. Census data.

The bank's lending to businesses of different sizes is reasonable and reflects satisfactory performance. Within our sample, a majority of the business loans were to businesses with annual gross revenues of less than \$1 million.

| <b>Table 4 - Borrower Distribution of Commercial Purpose Loans in the Non-MSA AA</b> |               |               |                     |
|--|---------------|---------------|---------------------|
| Business Revenues  | < \$1,000,000 | > \$1,000,000 | Unavailable/Unknown |
| % of AA Businesses   | 70.05%        | 4.69%         | 25.26%              |
| % of Loans in AA by #  | 76.92%        | 23.08%        | 0%                  |
| % of Loans in AA by \$   | 79.81%        | 20.19%        | 0%                  |

Source: Business loan sample; 2012-2013 Business Demographic data.

### **Lima MSA AA**

The bank's distribution of residential real estate loans in the Lima MSA reflects excellent penetration among borrowers of different income levels. Compared to the 2010 U.S. Census demographics, FNB originations to low- and moderate income borrowers exceeded the percentage of AA families.

| <b>Table 5 - Borrower Distribution of Residential Real Estate Loans in the Lima MSA AA</b> |                  |                 |                  |                 |                  |                 |                  |                 |
|--|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| Borrower Income Level  | Low              |                 | Moderate         |                 | Middle           |                 | Upper            |                 |
| Loan Type  | % of AA Families | % of # of Loans | % of AA Families | % of # of Loans | % of AA Families | % of # of Loans | % of AA Families | % of # of Loans |
| Home Purchase*   |                  | 12%             |                  | 18%             |                  | 18%             |                  | 47%             |
| Home Refinance   | 9%               | 9%              | 15%              | 22%             | 29%              | 29%             | 48%              | 40%             |
| Home Improvement   |                  | 0%              |                  | 0%              |                  | 0%              |                  | 0%              |
| Total Residential Real Estate Loans  | 9%               | 10%             | 15%              | 21%             | 29%              | 26%             | 48%              | 42%             |

Source: Data reported under HMDA; 2010 U.S. Census data.

\*1% of home purchase loans did not have borrower income information available.

The bank's lending to businesses of different sizes is reasonable and reflects satisfactory performance. Within our sample, a majority of the business loans were to businesses with annual gross revenues of less than \$1 million.

| <b>Table 6 - Borrower Distribution of Commercial Purposes Loans in the Lima MSA AA</b> |               |               |                     |
|--|---------------|---------------|---------------------|
| Business Revenues  | ≤ \$1,000,000 | > \$1,000,000 | Unavailable/Unknown |
| % of AA Businesses   | 68.39%        | 5.02%         | 26.60%              |
| % of Bank Loans in AA by #   | 80.00%        | 20.00%        | 0%                  |
| % of Bank Loans in AA by \$  | 73.93%        | 26.07%        | 0%                  |

Source: Business loan sample; 2012-2013 Business Demographic data.

### Geographic Distribution of Loans

FNB's geographic distribution of loans reflects satisfactory dispersion in moderate-income CTs within the Non-MSA AA. The Non-MSA AA does not contain any low-income CTs. Likewise, the Lima MSA AA does not contain any low- or moderate-income CTs.

| <b>Table 7 - Geographic Distribution of Residential Real Estate Loans in Non-MSA AA</b> |                                |                 |                                |                 |                                |                 |                                |                 |
|---|--------------------------------|-----------------|--------------------------------|-----------------|--------------------------------|-----------------|--------------------------------|-----------------|
| Census Tract Income Level   | Low                            |                 | Moderate                       |                 | Middle                         |                 | Upper                          |                 |
| Loan Type   | % of AA Owner-Occupied Housing | % of # of Loans | % of AA Owner-Occupied Housing | % of # of Loans | % of AA Owner-Occupied Housing | % of # of Loans | % of AA Owner-Occupied Housing | % of # of Loans |
| Residential Real Estate Loans   | 0%                             | 0%              | 9%                             | 8%              | 23%                            | 15%             | 68%                            | 76%             |

Source: Data reported under HMDA; 2010 U.S. Census data

| <b>Table 8 - Geographic Distribution of Commercial Purpose Loans in Non-MSA AA</b> |                    |                 |                    |                 |                    |                 |                    |                 |
|--|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
| Census Tract Income Level  | Low                |                 | Moderate           |                 | Middle             |                 | Upper              |                 |
| Loan Type  | % of AA Businesses | % of # of Loans | % of AA Businesses | % of # of Loans | % of AA Businesses | % of # of Loans | % of AA Businesses | % of # of Loans |
| Business Loans   | 0%                 | 0%              | 16%                | 19%             | 23%                | 15%             | 61%                | 65%             |

Source: Business loan sample; 2012-2013 Business Demographic data.

## Responses to Complaints

FNB Pandora has not received any complaints about its performance in helping to meet AA credit needs during the evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

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

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