



PUBLIC DISCLOSURE

March 7, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LCNB National Bank
Charter Number 2360

2 North Broadway
Lebanon, Ohio 45036

Office of the Comptroller of the Currency
Westlake Center
4555 Lake Forest Drive, Suite 520
Cincinnati, 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.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.
- LCNB's geographic distribution of loans reflects reasonable dispersion to the low- and moderate-income census tracts within the AA.
- LCNB National Bank (LCNB) makes a substantial majority of their loans inside their assessment areas (AA).
- LCNB's loan-to-deposit (LTD) ratio is reasonable.
- Responsiveness to community development (CD) needs through lending, investments and services is excellent and supports outstanding performance.

Scope of Examination

Our office conducted a full scope 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 intermediate small bank evaluation procedures to evaluate the bank's performance under the Lending Test and CD Test. The Lending Test included loans originated from January 1, 2014 to December 31, 2015. A data integrity examination of the bank's home mortgage loans, as reported via the Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs), and CRA small business loan data was performed in January 2016 to determine the accuracy of the bank's data. We found the data was accurate and reliable. The bank's performance in residential real estate (one-to four-family home loans) and small business (commercial and commercial real estate loans) lending is considered foremost in this CRA evaluation as these are the bank's primary lending products. For each AA, we conducted separate analyses. We used the 2010 U.S. Census data to analyze performance. The evaluation under the CD Test considered CD loans, investments, and services from December 3, 2012 to March 7, 2016 (evaluation period).

LCNB has designated three AAs, as detailed under the ***Description of Assessment Areas*** section. The Cincinnati Metropolitan Statistical Areas (MSA) AA is the bank's primary AA. The majority of the bank's deposit activity occurs in the Cincinnati MSA AA, with approximately 62 percent of total deposits in the Cincinnati MSA AA as of June 30, 2015. A majority of the lending occurs in this AA. In addition, the main office and 19 of LCNB's 36 branches are located in the Cincinnati MSA AA. For analysis purposes, we conducted a full scope review of the Cincinnati MSA AA, and limited scope reviews of the Dayton MSA AA and Non-MSA AA.

Table 20 – 2014 Geographic Distribution of Loans to Businesses in the Non-MSA AA

Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% Number of Loans	% of AA Businesses	% Number of Loans	% of AA Businesses	% Number of Loans
Business Loans	16%	16%	72%	78%	12%	6%

Source: CRA small business data from January 1, 2014 through December 31, 2014 and Dunn and Bradstreet.

Table 21 – 2015 Geographic Distribution of Loans to Businesses in the Non-MSA AA

Census Tract Income Level	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
Business Loans	17%	22%	71%	72%	12%	6%

Source: CRA small business data from January 1, 2015 through December 31, 2015 and Dunn and Bradstreet.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

LCNB's community development performance demonstrates excellent responsiveness to CD needs of the AAs through CD lending, investments, and services, which are reflective of outstanding performance. Performance in the Cincinnati MSA and Non-MSA AAs is excellent, and the performance in the Dayton MSA AA is adequate.

Number and Amount of Community Development Loans

LCNB's responsiveness to CD lending is excellent and reflects outstanding performance. During this evaluation period, the bank made a total 13 CD loans to different organizations in their AAs.

Cincinnati MSA AA

LCNB's responsiveness to CD lending needs in the Cincinnati MSA AA is excellent. Throughout the evaluation period, the bank originated nine eligible CD loans totaling \$7.8 million within this AA. LCNB made seven loans to provide affordable housing, totaling \$3.3 million. LCNB originated one loan for \$488 thousand to a physician's office located in a moderate-income CT, which provides CD services targeted to low- and moderate-income individuals. In addition, LCNB made a \$4 million loan to a company

in a moderate-income CT to revitalize a retail building into office space. This conversion brought in a large anchor tenant who created over 700 jobs.

Dayton MSA AA

LCNB's responsiveness to CD lending needs in the Dayton MSA AA is adequate. LCNB made two CD loans in the Dayton MSA AA to facilitate affordable housing during the review period in the amount of \$195 thousand.

Non- MSA AA

LCNB's responsiveness to CD lending needs in the Non-MSA AA is adequate, with the origination of two CD loans totaling \$1.2 million. One loan, in the amount of \$597 thousand was facilitated through the Solomon Hess Community Development fund to fund a loan to a local dentist. The other loan, in the amount of \$616 thousand, funded a local physician's practice in Ross County. Both medical practitioners provide CD services to their surrounding communities.

Number and Amount of Qualified Investments

LCNB's qualified investment activity is excellent. Total qualified investments within the bank's AAs equal \$6.9 million. The bank previously received credit for five mortgage-backed securities (MBS), which remain in the bank's investment portfolio at a book value of \$1.9 million. The bank also previously received credit for an investment in a CRA qualified fund, CRAIX. The bank has \$1.1 million in qualified, earmarked investments in this fund. During the evaluation period, the bank made three additional CRA qualified investment purchases. Two were additional MBS purchases, with a cost of over \$2.9 million. The new MBSs contained mortgages primarily in the bank's AAs. The other qualified investment was a \$1 million commitment to invest in an Ohio Capital Corporation for Housing Fund, Ohio Equity Fund for Housing XXV. The primary investment strategy of the fund is to invest in affordable housing projects targeted to low- and moderate-income households and to revitalize or stabilize low- and moderate-income areas, both within Ohio. Since the fund's geographical focus is Ohio, which includes all three of the bank's AAs, the entire investment qualifies for CRA credit.

Cincinnati MSA AA

LCNB's investment activity in the Cincinnati MSA AA is excellent. The bank made 27 donations to approximately 15 different organizations totaling \$41,300 in the Cincinnati MSA AA during the evaluation period. The donations were to various organizations that provide CD services to low- and moderate-income individuals in Butler, Clermont, Hamilton, and Warren counties. Some of the organizations include the Atrium Medical Center Foundation, United Way, Junior Achievement, Neighborhood Housing Services of Hamilton Inc., Lions Club, Greater Cincinnati SCORE, Child Advocacy Center of Warren County, YMCA, and various food pantries.

Dayton MSA AA

LCNB's investment activity in the Dayton MSA AA is adequate. The bank made seven donations to four organizations totaling \$25,500 in this AA. The bank's donations provided scholarships to the Sinclair Community College Foundation and contributions of \$15,000 to the Levin Family Foundation to support health fairs for low- and moderate-