



PUBLIC DISCLOSURE

August 19, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Brookville National Bank
Charter Number 14141

225 Upper Lewisburg-Salem Road
Brookville, OH 45309

Office of the Comptroller of the Currency

Westlake Center
4555 Lake Forest Drive, Suite 610
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.

Brookville National Bank (“BNB” or “the bank”) exhibits a **Satisfactory** record of meeting its community’s credit needs.

- The bank’s 23-quarter average loan-to-deposit ratio is reasonable and meets the requirements for satisfactory performance.
- BNB is responsive to its community’s credit needs as a majority of the loans in our sample were made within the bank’s assessment area (AA). Seventy-six percent of the number of loans in our sample were inside the bank’s AA.
- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.

SCOPE OF EXAMINATION

Our office conducted a full scope Community Reinvestment Act (CRA) examination 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 examination procedures to evaluate the bank’s performance.

Our review focused on the bank’s primary lending products, business (commercial and commercial real estate) and residential real estate, as determined through discussions with management and the volume of loan originations during the lending evaluation period, which was January 1, 2011 to July 31, 2013.

We used the data the bank reported for residential real estate loans under the Home Mortgage Disclosure Act (HMDA) for years 2011 through June 30, 2013. We reviewed independent audits of the HMDA data to ensure accuracy for the years 2011 and 2012; no audits had been performed on 2013 data. Based on the results of the independent audits, we found the HMDA data for this time period to be accurate and reliable.

To evaluate the bank’s performance in residential real estate lending, we used all of the bank’s residential real estate loans reported on the HMDA loan application register from January 1, 2011 to June 30, 2013. To evaluate performance of business lending inside the AA, we randomly sampled 20 business loans originated during the evaluation period. Next, to perform the borrower distribution analysis, we removed any business loans in the original sample that were outside the AA and selected additional loans located inside the AA to ensure at least 20 business loans for each census period. We used the 2000 U.S. Census data for loans originated in 2011 and the 2010 U.S. Census data for loans originated in 2012 through year-to-date 2013.

DESCRIPTION OF INSTITUTION

BNB is a wholly owned subsidiary of BNB Bancorp, Inc., a one-bank holding company. Both BNB and its holding company are headquartered in Brookville, Ohio. Brookville is approximately 20 miles northwest of Dayton, Ohio in the northwestern portion of Montgomery County.

The bank operates one full service office, which is the main office in Brookville. The bank operates one limited-service branch (no lending activity), also located in Brookville. Both of the bank's offices are located in Montgomery County, Ohio, and both are in a middle-income geographies. The bank's primary business focus includes business and residential real estate loans. The bank offers standard products and services through its network of offices. BNB has a 24-hour ATM at its main office location in Brookville. The bank also has a drive-thru facility at the main office.

At the prior CRA examination, as of January 7, 2008, BNB received a satisfactory CRA rating. Currently, no legal or financial impediments exist that could restrict the bank's ability to serve the community's credit needs. As of June 30, 2013, BNB reported total assets of \$108 million and Tier One Capital of \$9 million with net loans representing 29 percent of average assets. Table 1 details the total number and dollar volume of loans originated during the evaluation period.

Table 1 - Primary Loan Types				
Loans originated/purchased from January 1, 2011 to July 31, 2013				
Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period		% by Number of Loans Originated/Purchased during evaluation period	
	\$000's	%	# of Loans	%
Commercial	\$15,680	54%	108	15%
Residential Real Estate	\$8,377	29%	98	14%
Individual Consumer Loans	\$4,547	16%	483	69%
Farm Loans	\$397	1%	12	2%
All Other	\$103	Less than 1%	3	Less than 1%
Total	\$29,104	100%	704	100%

Source: Internal bank reports of loans originated from January 1, 2011 through July 31, 2013.

DESCRIPTION OF ASSESSMENT AREA

BNB has designated one AA in a Metropolitan Statistical Area (MSA). This AA consists of six census tracts (CTs) in the northwest corner of Montgomery County and two CTs in the eastern part of Preble County. All of the CTs are located in the Dayton, OH MSA 19380. The entire AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas. Bank management selected this AA based on the bank's targeted lending territory and branch locations. The bank is headquartered in Montgomery County and does most of its lending in this county. Both of the bank's branches are located in Montgomery County. The CTs in Preble County are located near the branches.

Given the bank's AA, which does not include a low- or moderate-income CT, analysis of the bank's geographic distribution of lending would not be meaningful.

Competition in the AA is strong with credit unions, savings and loans, independent financial institutions, and branches of larger financial institutions. As of June 30, 2012, BNB had approximately a 1.21 percent deposit market share, according to the Federal Deposit Insurance Corporation, in Montgomery and Preble counties and was ranked twelfth out of 25 financial institutions. BNB's continued increase in deposits reflects a positive reputation in the community. Bank management continues to actively market to support local needs. BNB also invests in the local community through municipal bonds.

Our community contact indicated the AA's economy is stable. The credit needs of the community continue to include small business lending. According to our contact, local financial institutions are meeting those needs.

Information as of the 2000 U.S. Census Data

As of the 2000 U.S. Census, the AA had seven middle-income (87 percent) and one upper-income (13 percent) CTs. There were no low- or moderate-income CTs in the AA. Per the 2000 Census data, the population of the AA was 38,774 with 87 percent of the population living in middle-income CTs and 13 percent of the population living in upper-income CTs. Seventy-two percent of the housing units in the AA were owner-occupied with 86 percent in middle-income geographies and 14 percent in upper-income geographies. Six percent of the households in the AA lived below the poverty level, 26 percent received social security benefits, and two percent received public assistance. In addition, 23 percent of the housing units were occupied rental units. The median housing value for the AA was \$109,544 with the average median age of housing stock of 49 years. The weighted average monthly gross rent was \$531.

According to the 2000 U.S. Census data, the MSA median family income was \$51,271. The Department of Housing and Urban Development's estimate of the updated MSA median family income for 2011 was \$62,400. Approximately 17 percent of the families in the AA were low-income and 19 percent were moderate-income. According to the 2000 U.S. Census, updated as of 2011, businesses with revenues of less than \$1 million accounted for 77 percent of all the business entities in the AA.

Information as of the 2010 U.S. Census Data

As of the 2010 U.S. Census, the AA had seven middle-income (87 percent) and one upper-income (13 percent) CTs. There were no low- or moderate-income CTs in the AA. Per the 2010 Census data, the population of the AA was 38,066 with 86 percent of the population living in middle-income CTs and 14 percent of the population living in upper-income CTs. Seventy-one percent of the housing units in the AA were owner-occupied with 85 percent in middle-income geographies and 15 percent in upper-income geographies. Seven percent of the households in the AA lived below the poverty level, 33 percent received social security benefits, and one percent received public assistance. In addition, 20 percent of the housing units were occupied rental units. The median housing value for the AA was \$129,601 with the average median age of housing stock of 49 years. The weighted average monthly gross rent was \$686.

According to the 2010 U.S. Census data, the MSA median family income was \$59,770. The Department of Housing and Urban Development's estimate of the updated MSA median family income for 2012 was \$57,800. Approximately 15 percent of the families in the AA were low-income and 21 percent were moderate-income. According to the 2010 U.S. Census, updated as of 2012, businesses with revenues of less than \$1 million accounted for 79 percent of all the business entities in the AA.

The local economy is stable. According to the Ohio Labor Market Information as of June 2013, the unemployment rate for Montgomery County was 8.0 percent, which is slightly higher than the state and national levels of unemployment (7.5 percent and 7.8 percent respectively). The unemployment rate was 7.8 percent for Preble County for the same period. The AA has a diverse employer base across many industries from manufacturing and service industries to government. Major employers in the AA include GE Capital, Reed Elsevier/LexisNexis, and Reynolds & Reynolds Co. Inc.

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. It meets the requirements for satisfactory performance.

BNB has an average loan-to-deposit ratio over the 23 quarters (December 31, 2007 through June 30, 2013) since the prior CRA examination of 44.53 percent. The bank's quarterly loan-to-deposit ratio ranged from a low of 32.08 percent as of March 31, 2013 to a high of 57.56 percent at December 31, 2007. The average loan-to-deposit ratio for similarly situated banks in Montgomery and Preble counties was 77.30 percent as of June 30, 2013. The bank's increase in deposits, coupled with decreased loan demand and strong local competition, resulted in the lower loan-to-deposit ratio. With 41% of AA individuals either on social security, on public assistance, or are below the poverty level, and unemployment is above the state and national average, lending opportunities are limited. BNB also makes a significant number of smaller consumer loans to area borrowers with 69% of loan originations during the assessment period being loans-to-individuals; this is not readily reflected in the loan-to-deposit ratio.

Lending in the Assessment Area

The bank's record of lending within its AA supports satisfactory performance with a majority of the bank's lending inside the AA.

As outlined in the description of the institution above, the bank's primary loan types are business and residential real estate loans. We included all of the bank's residential real estate loans reported from HMDA and sampled 20 business loans the bank originated during the evaluation period. According to our sample, the bank made 76 percent of loans by number of loans and 66 percent of loans by dollar amount within its AA. Table 2 on the following page details the bank's lending within the AA by number and dollar volume.

Loan Type	Number of Loans				Dollars of Loans (in 000's)					
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	9	64%	5	36%	14	\$667	52%	\$608	48%	\$1,275
Home Refinance	30	75%	10	25%	40	\$3,044	75%	\$991	25%	\$4,035
Home Improvement	49	80%	12	20%	61	\$1,231	69%	\$547	31%	\$1,778
Business Loans	15	75%	5	25%	20	\$470	43%	\$617	57%	\$1,087
Totals	103	76%	32	24%	135	\$5,412	66%	\$2,763	34%	\$8,175

Source: Data reported under HMDA; loans originated January 1, 2013 through June 30, 2013 and business loan sample; loans originated from January 1, 2011 through July 31, 2013.

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.

Information as of the 2000 U.S. Census Data, Loan sample originated in 2011

The bank's distribution of residential real estate loans in their AA reflects reasonable penetration among borrowers of different income levels for loans originated in 2011. Based upon an analysis of home loans originated during 2011 compared to the 2000 U.S. Census demographics, BNB originated 25 percent of their home loans to low-income borrowers, which is excellent compared to the 17 percent of low-income families in the AA. The bank originated 11 percent of their home loans to moderate-income borrowers, which is reasonable compared to the 19 percent of moderate-income families in the AA. See Table 3 for details.

Borrower Income Level	Low		Moderate		Middle		Upper		Income Not Available	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase		25%		25%		25%		25%		0%
Home Refinance		12%		12%		38%		38%		0%
Home Improvement		31%		6%		31%		19%		13%
Total Residential Real Estate Loans	17%	25%	19%	11%	23%	32%	41%	25%	0%	13%

Source: Data reported under HMDA; 2000 U.S. Census data, updated as of 2011.

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. Two of the loans with revenues greater than \$1 million made up 71 percent of our sample by dollar volume and were originated to the same borrower. See Table 4 for details.

Table 4 – Borrower Distribution of Loans to Businesses in the MSA AA 2011 Loan Sample				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75%	2%	23%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	26%	74%	0%	100%

Source: Business loan sample; 2011 Business Geodemographic data.

Information as of the 2010 U.S. Census Data, Loan sample originated in 2012 through July 31, 2013

The bank's distribution of residential real estate loans in their AA reflects reasonable penetration among borrowers of different income levels for loans originated in 2012 through June 30, 2013. Based upon an analysis of home loans originated during this period compared to the 2010 U.S. Census demographics, BNB originated 10 percent of their home loans to low-income borrowers, which is reasonable compared to 15 percent of low-income families in the AA. The bank originated 18 percent of their home loans to moderate-income borrowers, which is reasonable compared to 21 percent of moderate-income families in the AA. See Table 5 for details.

Table 5 – Borrower Distribution of Residential Real Estate Loans in the MSA AA 2012 – June 30, 2013 Loan Sample										
Borrower Income Level	Low		Moderate		Middle		Upper		Income Not Available	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase		20%		40%		20%		20%		0%
Home Refinance		5%		9%		32%		45%		9%
Home Improvement		12%		21%		24%		36%		7%
Total Residential Real Estate Loans	15%	10%	21%	18%	24%	27%	40%	38%	0%	7%

Source: Data reported under HMDA; Census data, updates as of 2012.

The bank’s lending to businesses of different sizes is excellent and reflects outstanding performance. Within our sample, a majority of the business loans were to businesses with annual gross revenues of less than \$1 million. See Table 6 for details.

Table 6 – Borrower Distribution of Loans to Businesses in the MSA AA 2012 – July 31, 2013 Loan Sample				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78%	3%	19%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	87%	13%	0 %	100%

Source: Business loan sample; 2012 Business Geodemographic data.

Responses to Complaints

BNB has not received any complaints about its performance in helping to meet AA credit needs during this 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.