



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Brookville National Bank
Charter Number 14141**

**132 Market Street
Brookville, Ohio 45309**

**Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 101
Dublin, Ohio 43017-3577**

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.

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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 Community Reinvestment Act (CRA) performance of **Brookville National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 15, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Brookville National Bank exhibits a satisfactory performance record. This rating is supported by:

- A majority of the real estate and consumer loans reviewed were within the bank's assessment area.
- The bank's loan to deposit ratio is reasonable given the institution's size, financial condition and assessment area credit needs.
- The distribution of borrowers reflects reasonable penetration among individuals of different incomes and business of different sizes.

DESCRIPTION OF INSTITUTION

Brookville National Bank (BNB) is an \$83 million institution operating from two banking offices located in Brookville, Ohio, approximately 70 miles north of Cincinnati. The main and branch offices are located in census tract 1301, a middle-income census tract within Metropolitan Statistical Area (MSA) 2000. Both offices have drive-up facilities and automatic teller machines (ATMs). In addition, one additional ATM is located in a local grocery store.

BNB is a wholly owned subsidiary of Brookville National Bancorp, a one-bank holding company also located in Brookville, Ohio. BNB's primary business focus is lending to individuals (residential and installment loans) and small businesses. The bank offers a variety of lending products to accommodate the credit needs of borrowers within their assessment area (AA).

BNB's loan portfolio totals approximately \$39 million with net loans representing 46.5% of total assets. Tier 1 capital is \$8.8 million. The loan mix at September 30, 2002 was as follows:

Loan Mix as of September 30, 2002		
Loan Type	000's	% of Gross Loans
Residential Real Estate	18,159	46%
Commercial Real Estate	10,033	26%
Commercial and Industrial	4,612	12%
Consumer	5,966	15%
Agricultural	542	1%
Total Gross Loans	39,312	100%

Source: September 30, 2002 Call Report

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its assessment area. BNB's CRA rating as of July 11, 1997 was "Satisfactory Record of Meeting Community Credit Needs." The bank's lending performance for 1998, 1999, 2000, 2001 and 2002 was reviewed in detail. A cursory review of 1997 data demonstrated similar results.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of five census tracts and two block numbering areas (BNAs). The five census tracts are located in the Dayton-Springfield MSA 2000 in the northwest corner of Montgomery County. The two BNAs are located in eastern Preble County and adjacent to, but not within MSA 2000. For analysis purposes, the bank's MSA and Non-MSA assessment areas were combined based upon the fact that both geographies in the Non-MSA area are middle income and there are no low or moderate-income geographies in the bank's AA.

The five census tracts are characterized as follows; four middle income and one upper income. The two BNAs within the bank's AA are both considered middle income. Eighty-six percent of the bank's assessment area consists of middle-income geographies and 14% percent consist of upper income geographies. There are no low-income or moderate-income geographies in the

bank's AA. This AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The 1990 census data provides a population of 37,981 for the AA. The AA 2002 HUD updated median family income for MSA 2000 is \$60,200 and \$48,700 for non-MSA areas. The 1990 HUD adjusted median income for the AA is \$56,914. Based on this figure, the following chart provides information on the percentage of families of various income levels within the AA.

Income level	% of families in the AA
Low	14
Moderate	18
Middle	26
Upper	42

The majority of housing within the assessment area is owner-occupied (71%) and the median housing value is \$68,282. One-to-four family homes represent 85% of the housing stock. Multi-family homes account for 11% of the housing stock and mobile homes comprise 4%.

The local economy is stable. Major economic activities consist of services, retail trade, construction and agriculture. Major employers for the local residents are General Motors, Wright Patterson Air Force Base, Green Tokai, Norgren and Merritt Abrasives. As of November 2002, the unemployment rates for Montgomery and Preble Counties were 5.2% and 5.3%, respectively. These rates are comparable to the statewide unemployment rate of 5.4%.

Competition for loans and deposits within the bank's AA is strong. Major competitors in the bank's assessment area include several large regional banks as well as some local independent institutions and savings banks. Among the financial institution in the bank's AA are: Fifth Third Bank, Unizan Bank, Eaton National Bank, First National Bank of Germantown, Brookville Savings and Loan, and Twin Valley Bank.

One community contact was conducted by this agency in conjunction with this examination. The individual contacted represented a realty company in the bank's AA. Credit needs identified by the contact included; low down payment mortgage products, first time homebuyer programs and financing for multi-family housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The average quarterly loan-to-deposit ratio is reasonable considering the size and structure of the institution. The average loan-to-deposit ratio for the 21 quarters dated September 1997 to September 2002 was 59.35%. BNB's loan-to-deposit ratio as of September 30, 2002 was 53.61%. For analysis purposes, the loan-to-deposit ratio was reviewed and averaged since the last CRA examination dated July 1997. Similarly situated institutions with assets of \$100 million or less, and located in Ohio, had an average loan-to-deposit ratio of 75.47% as of

September 30, 2002. While the bank's loan to deposit ratio is lower than similarly situated institutions, the bank's loan-to-deposit ratio is reasonable given the bank's limited branch network, and loan demand within the bank's AA. The bank's loan to deposit ratio is within the Board's expectations.

Lending in Assessment Area

A majority of BNB's loans are within the bank's AA and reflects satisfactory performance. All of the bank's home mortgage loans (purchase, refinance, and home improvement) originated for the years 1998, 1999, 2000, 2001 and 2002 were reviewed using Home Mortgage Disclosure Act (HMDA) data.

The following tables reflect the number and dollar percentage of the bank's home mortgage lending activity and sample results for small business and consumer loans. The table below shows that a majority of the home mortgage loans are made within the bank's AA. Home mortgage loan performance based on the number of loans was as follows: 64% of the home purchase, 67% of the home refinance and 74% of the home improvement loans originated during the review period were within the bank's AA.

Home Mortgage Loan Originations 1998-2002						
Loan Type	Total loans		Loan in AA		% of # in AA	% of \$ in AA
	#	\$	#	\$		
Home Purchase	74	6,675	47	4,448	64%	67%
Refinance	209	16,897	141	10,055	67%	60%
Home Improvement.	212	2,096	157	1,447	74%	68%
Total	495	25,668	345	15,950	70%	62%

Source: HMDA Loan Application Registers 1998-2002

A sample of 20 small business and 20 consumer loans originated during the same period of 1998-2002 was reviewed to determine the bank's percentage of lending within the AA for these loan types. The following table shows that based on this sample, a majority of small business and consumer loans originated, are within the bank's AA. For the review period, 80% of the consumer loans and 75% of the small business loans were originated within the AA.

Consumer & Small Business Loan Originations 1998-2002				
Loan Type	# of loans in AA	\$ of Loans in AA	% of #	% of \$
Consumer Loans	16	129	80%	82%
Commercial Lns.	15	1,207	75%	82%

Source: sample of 20 loans of each type originated between 1998 and 2002

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

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels, including low-and moderate-income borrowers, and supports satisfactory performance. The number of originations for both home mortgage and consumer loans to low-and moderate-income borrowers exceeds the percentage of families

categorized as low- and moderate-income in the AA. Loans to small businesses; however, do not reflect the demographics of the bank's AA. The disparity in the bank's small business lending is attributable to the bank's limited branch network and the location of its offices.

Distribution of Home Mortgage Loans by Borrower Income vs AA Family Composition					
Borrower Income Category	% of Families in AA by Income Category	# of Loans	% of Loans	\$ 000 amount of loans	% of \$ Percentage
Low	14	52	15	844	6
Moderate	18	76	22	1,748	11
Middle	25	97	28	4,213	28
Upper	43	120	35	8,483	55
Total	100	345	100	15,288	100

Source: HMDA Loan Application Registers 1998-2002

As reflected in the table above, the distribution of home mortgage loans is reasonable given the demographics of the AA and reflects reasonable penetration among borrowers of different income levels (including low- and moderate-income). The analysis illustrates that 52 or 15% of the home mortgage loans originated between 1998 and 2002 were made to low- income borrowers and 76 or 22% were made to moderate-income borrowers. For both low- income and moderate-income borrowers, home mortgage loans originated to individuals in each of these income categories exceeds the percentage of low- and moderate-income families within the AA.

Distribution of Consumer Loans by Borrower Income Vs AA Family Income Composition					
Borrower Income Category	% of Families in AA by Income Category	# of Loans	% of Loans	\$ 000 amount of loans	% of \$
Low	14	3	15	47	18
Moderate	18	8	40	64	24
Middle	25	6	30	115	44
Upper	43	3	15	35	14
Total	100	20	100	261	100

Source: sample of 20 consumer loans originated between 1998-2002

The bank's distribution of consumer loans to borrowers of different incomes is reasonable and supports satisfactory performance. The bank's percentage of consumer loans to low- and moderate-income families exceed percentage of the population for both low- and moderate categories. While 14% of families in the AA are low- income, 3 loans or 15% of the loans sampled were made to low-income families and 8 loans or 40% of the loans sampled were made to moderate-income families. The preceding table illustrates the distribution of consumer loans to borrowers within the various income categories compared to the percentage of families in each income category in the bank's AA.

Distribution of Loans to Businesses of Different Sizes		
Revenue Size of Business	Percentage of Number of Small Business Loans	Percentage of Businesses in the AA
Less than \$1 million	65	83
Greater than \$1 million	35	5
Revenue not Reported	N/A	12

Source: sample of 20 business loans originated between 1998-2002

The preceding table illustrates the bank's distribution of loans to small businesses is reasonable and supports satisfactory performance. BNB has a satisfactory record of lending to businesses of different sizes when compared to the number of small businesses in its AA. According to 1990 census data, 83% of the businesses in the AA report revenues of less than \$1 million annually compared to 65% of the business loans originated by BNB were to businesses in this income category. While the percentage of loans to small businesses is lower than the percentage of small businesses in the bank's AA, the disparity is attributable to several factors. The two primary reasons are the locations of its bank offices (both are in Brookville) and competition from other financial institutions.

Geographic Distribution of Loans

Given the demographics of the bank's AA, with no low- or moderate-income tracts and only one upper income tract, analysis of the bank's geographic distribution of lending would not be meaningful.

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the AA.

Fair Lending Review, Other Illegal Credit Practices, and Predatory and Abusive Lending Practices

We found no evidence of illegal or discrimination or other illegal credit practices.