



## PUBLIC DISCLOSURE

April 18, 2016

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Merchants National Bank  
Charter Number 2449

100 North High Street  
Hillsboro, Ohio 45133

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 Outstanding.**

**The Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Satisfactory.**

- Merchants National Bank (MNB or the bank) makes a substantial majority of its loans inside its assessment areas (AAs).
- MNB's geographic distribution of loans exhibits excellent dispersion to the low- and moderate-income census tracts within the AAs.
- The bank's loan-to-deposit (LTD) ratio is more than reasonable.
- Lending to borrowers of different income levels and to businesses and farms of different sizes reflects excellent penetration.
- Responsiveness to the community development (CD) needs through lending, investments, and services is adequate.

## **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 CRA evaluation procedures to evaluate the bank's performance under the Lending Test and CD Test. The evaluation under the Lending Test considered loans originated from January 1, 2014 to December 31, 2015, excluding CD loans. The evaluation under the CD Test considered CD loans, investments, and services from August 20, 2012 to April 18, 2016.

The bank's performance in residential real estate, small business (commercial and commercial real estate loans), and small farm lending is considered foremost in this CRA evaluation, as these are the bank's primary lending products. We reviewed home purchase, home improvement, and refinance loans reported under the Home Mortgage Disclosure Act (HMDA). We reviewed the HMDA data for 2014 and 2015 in April 2015 and February 2016 as part of data integrity reviews and determined the information to be accurate and reliable. Additionally, we sampled 20 business and 20 farm loans from the same time period for each AA and conducted separate analyses. We used the 2010 U.S. Census data, updated as of 2015, to analyze performance.

We performed full scope reviews of the Non-Metropolitan Statistical Area (MSA) AA and Cincinnati MSA AA during this evaluation and limited scope reviews of the Columbus MSA AA and Springfield MSA AA. The Non-MSA and Cincinnati MSA AAs are considered the bank's primary AAs for this evaluation. We reviewed the 2014 and 2015 HMDA data and determined 66 percent of the HMDA loans were originated in the Non-

MSA AA and 22 percent in the Cincinnati MSA AA. As June 30, 2015, 66 percent of total deposits were from the Non-MSA AA and 16 percent from the Cincinnati MSA AA.

## Description of Institution

MNB is an independent, intrastate community bank headquartered in Hillsboro, Ohio. The main office is located in Highland County. MNB is a wholly owned subsidiary of Merchants Bancorp, Inc., a one-bank holding company, that is also located in Hillsboro. The bank has 13 banking offices located in Brown, Clark, Clermont, Fayette, Highland, Madison, and Union counties. The bank has drive-through facilities at 10 of their offices and automated teller machines (ATMs) at 11 offices. MNB has six offices in middle-income geographies and seven offices in moderate-income geographies, including the main office. Since the previous evaluation, the bank opened one branch in 2014 in Marysville, Ohio, in a moderate-income census tract.

As of December 31, 2015, MNB had total assets of \$658 million and held \$64 million in tier 1 capital. MNB's loan portfolio totaled \$541 million with net loans representing 82 percent of total assets as of December 31, 2015. During the lending evaluation period, the bank's primary lending products were residential real estate (home loans), commercial and commercial real estate (business loans), and agricultural loans (farm loans). The table below reflects the bank's total loans originated/purchased between January 1, 2014 and December 31, 2015. In 2014, MNB sold \$12.5 million of their residential real estate mortgage loan originations to the secondary market and sold \$15.3 million in 2015.

<b>Table 1 – Loan Mix</b>				
<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased During Evaluation Period</b>		<b>% by Number of Loans Originated/Purchased During Evaluation Period</b>	
	<b>\$000's</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>
Commercial Loans	\$59,292	25%	396	15%
Home Loans	\$75,742	32%	764	28%
Agricultural Loans	\$86,078	36%	402	15%
Consumer Loans	\$16,094	7%	1,131	42%
<b>Total</b>	<b>\$237,206</b>	<b>100%</b>	<b>2,693</b>	<b>100%</b>

*Source: Bank's record of loans originated during 2014 and 2015.*

MNB's primary business focus is home mortgage lending, small loans to businesses (commercial and commercial real estate loans), and agricultural lending. The bank offers a full range of standard lending and deposit products to accommodate the needs of customers within its AAs. Competition for loans and deposits within the bank's AAs is strong and comes from many local community financial institutions and branches of larger institutions. Presently, there are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AAs. MNB's CRA rating as of August 20, 2012 was "Satisfactory."

## Description of Assessment Areas

MNB has designated four AAs: the Non-MSA AA, the Cincinnati MSA AA, the Columbus MSA AA, and the Springfield MSA AA. Bank management selected these AAs based on the bank's targeted lending territory and office locations. The AAs are contiguous, meet the requirements of the CRA, and do not arbitrarily exclude low- or moderate-income geographies.

Competition in the AAs is high due to many national banks, savings and loan associations, mortgage banks, and branches of large financial institutions located in the AAs. As of June 30, 2015, MNB had approximately an 11.3 percent deposit market share in the Non-MSA AA and was ranked second out of 18 financial institutions. For the Cincinnati MSA AA, MNB had approximately a 3.5 percent deposit market share and was ranked ninth out of 22 financial institutions. For the Columbus MSA AA, MNB had approximately an 8.5 percent deposit market share and was ranked sixth out of 15 financial institutions. For the Springfield MSA AA, MNB had less than one percent deposit market share and was ranked tenth out of 12 financial institutions. The source of the deposit market share information is the June 30, 2015 Deposit Market Share Report from the Federal Deposit Insurance Corporation.

Community contacts indicate the AAs' economies are starting to improve. The credit needs of the AAs continue to include affordable housing loans. According to the contacts, local financial institutions are adequately meeting the credit and CD needs of the AAs.

### Non-MSA AA

The Non-MSA AA includes Highland and Fayette counties and one census tract in the western section of Ross County. The entire AA is contiguous. The main office in Hillsboro is located in southwestern Ohio, approximately 60 miles east of Cincinnati, Ohio, within the non-MSA AA. Hillsboro is the largest city in Highland County and the county seat. The bank has five offices in Highland County: three in Hillsboro and two in Greenfield. Greenfield is the second largest city in Highland County. The bank has one office located in Washington Court House in Fayette County, which is the largest city in that county. The Hillsboro and Greenfield offices are located in moderate-income census tracts. The Washington Court House office is located in a middle-income census tract.

The Non-MSA AA is comprised of five moderate-income (29 percent) and 12 middle-income (71 percent) geographies. Based on the 2010 U.S. Census, the population of the Non-MSA AA is 78,296 with 27 percent of the population living in moderate-income geographies and 73 percent living in middle-income geographies. Sixty-three percent of the housing units are owner-occupied with 25 percent of them in moderate-income and 75 percent in middle-income areas. Sixteen percent of the households are living below the poverty level, 3 percent receive public assistance, 32 percent of the households receive social security benefits, and 20 percent are retired. The median housing value is \$108,246; the average median age of housing is 44 years. The weighted average monthly gross rent is \$625.

According to the 2010 U.S. Census data and Federal Financial Institutions Examination Council (FFIEC) Census information, the Ohio statewide non-MSA median family income is \$52,573. The FFIEC estimate of the Non-MSA median family income for 2015 was \$56,900. Approximately 22 percent of the families in the AA are low-income and 20 percent are moderate-income.

The local economy is starting to improve. The economy is diversified in manufacturing, retail, and agriculture. According to the Ohio Labor Market information as of March 2016, the “not seasonally adjusted” unemployment rates for the State of Ohio and nationally were 5.4 percent and 5.1 percent, respectively. Unemployment rates for the counties in the AA were: Highland – 7.1 percent, Fayette – 5.2 percent, and Ross – 6.3 percent. Although the rate in Highland county exceeds the state and national rate, it has improved over the past few years.

The major employers in Highland County include Greenfield Research, Wal-Mart Stores Inc., Highland District Hospital, and the local school districts. The major employers in Fayette County are Fayette County Memorial Hospital, Sugar Creek Packing Co., YUSA Corp., Wal-Mart Stores Inc., and the local school districts. Major employers in Ross County include Adena Regional Health System, Wal-Mart Stores Inc., the local school systems, and government offices.

### **Cincinnati MSA AA**

The Cincinnati MSA AA includes Brown and Clermont Counties located in the Cincinnati, OH-KY-IN MSA #17140. Brown County is contiguous to and directly west and south of Highland County. Clermont County is contiguous to and directly west of Brown County. Both counties are located east of Cincinnati, Ohio. The bank has one office located in a moderate-income census tract (Georgetown) and three offices in middle-income census tracts (Mt. Orab, Higginsport, and Batavia) in the Cincinnati MSA AA.

The Cincinnati MSA AA is comprised of eight moderate-income (16 percent), 32 middle-income (65 percent), and nine upper-income (19 percent) geographies. Based on the 2010 U.S. Census, the population of the Cincinnati MSA AA is 242,209 with 14 percent of the population living in moderate-income, 69 percent living in middle-income, and 17 percent living in upper-income geographies. Seventy percent of the housing units are owner-occupied with 12 percent of them in moderate-income, 69 percent in middle-income, and 19 percent in upper-income areas. Ten percent of the households are living below the poverty level, 2 percent receive public assistance, and 28 percent receive social security benefits. Nineteen percent of the households are retired. The median housing value is \$160,552; the average median age of housing is 35 years. The weighted average monthly gross rent is \$697.

According to the 2010 U.S. Census data and FFIEC Census information, the Cincinnati MSA median family income is \$67,016. The FFIEC estimate of the Cincinnati MSA median family income for 2015 was \$72,400. Approximately 20 percent of the families in the AA are low-income and 19 percent are moderate-income.

The local economy is stable and diversified in manufacturing, health services, and retail. As of March 2016, the unemployment rate in Brown County was 6.7 percent, higher than the national and state unemployment rates. The unemployment rate for Clermont County was 4.8 percent, lower than the state and national averages. The major employers in Brown County include Milacron, Southern State Community College, and the local school districts. The major employers in Clermont County include Duke Energy, International Paper Co., Total Quality Logistics, Mercy Health Partners, Huhtamaki, and the local school districts.

### **Columbus MSA AA**

The Columbus MSA AA includes Madison and Union Counties in the Columbus, OH MSA #18140. Madison County is contiguous to Fayette County. Madison County is located north of Fayette County and west of Columbus, Ohio. London is the largest city in Madison County and the county seat. Marysville City is the largest city in Union County and the county seat. The bank has two offices in the Columbus MSA AA: one located in London in a middle-income census tract, and one in Marysville in a moderate-income census tract.

The Columbus MSA AA is comprised of one moderate-income (4 percent), 14 middle-income (64 percent), and seven upper-income (32 percent) geographies. Based on the 2010 U.S. Census, the population of the Columbus MSA AA is 95,735 with 6 percent of the population living in moderate-income, 60 percent living in middle-income, and 34 percent living in upper-income geographies. Seventy percent of the housing units are owner-occupied with 4 percent in moderate-income, 61 percent in middle-income, and 35 percent in upper-income census tracts. Eight percent of the households are living below the poverty level, and 2 percent receive public assistance. Twenty-six percent of the households receive social security benefits, and 20 percent of the households are retired. The median housing value is \$169,902; the average median age of housing is 40 years. The weighted average monthly gross rent is \$703.

According to the 2010 U.S. Census data and FFIEC Census information, the Columbus MSA median family income is \$64,914. The FFIEC estimate of the Columbus MSA median family income for 2015 was \$71,000. Approximately 17 percent of the families in the AA are low-income and 17 percent are moderate-income.

The local economy is stable and diversified in manufacturing and retail. As of March 2016, the unemployment rates in Madison and Union Counties were 4.3 percent and 4.0 percent, respectively, which are both below the state and national rates. The major employers in Madison County include the Battelle Memorial Institute, Jefferson Industries, Madison County Hospital, and the local school districts. The major employers in Union County include Honda Motor Co., Nestle R&D, and government offices.

### **Springfield MSA AA**

The Springfield MSA AA includes 35 census tracts in Clark County located in the Springfield, OH MSA #44220. Clark County is contiguous to Madison County. Clark County is located west of Madison County and west of Columbus, Ohio. Springfield is

the largest city in Clark County and the county seat. The bank has one office in the Springfield MSA AA located in Springfield in a middle-income census tract.

The Springfield MSA AA is comprised of six low-income (17 percent), nine moderate-income (25 percent), 10 middle-income (29 percent), and 10 upper-income (29 percent) geographies. Based on the 2010 U.S. Census, the population of the Springfield MSA AA is 108,252 with 13 percent of the population living in low-income, 21 percent living in moderate-income, 35 percent living in middle-income, and 31 percent living in upper-income geographies. Sixty-one percent of the housing units are owner-occupied with 6 percent in low-income, 17 percent in moderate-income, 40 percent in middle-income, and 37 percent in upper-income areas. Sixteen percent of the households are living below the poverty level, and 4.5 percent receive public assistance. Thirty-three percent of the households receive social security benefits, and 26 percent of the households are retired. The median housing value is \$106,545; the average median age of housing is 56 years. The weighted average monthly gross rent is \$638.

According to the 2010 U.S. Census data and FFIEC Census information, the Springfield MSA median family income is \$53,678. The FFIEC estimate of the Springfield MSA median family income for 2015 was \$53,800. Approximately 22 percent of the families in the AA are low-income and 17 percent are moderate-income.

The local economy is stable and diversified in manufacturing, transportation, and health services. As of March 2016, the unemployment rate in Clark County was 5.6 percent, which is slightly above the national and state rates. The major employers in Clark County include Assurant Inc., Wittenberg University, Gordon Food Service, Dole Fresh Vegetables, Navistar, and the local school districts.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

MNB's lending performance is outstanding.

### **Loan-to-Deposit Ratio**

MNB's LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs and meets the requirements for outstanding performance. The bank's average LTD ratio for the 14 quarters since the last CRA evaluation (September 30, 2012 to December 31, 2015) of 94.59 percent is more than reasonable. As of December 31, 2015, MNB's LTD ratio was 95.66 percent. Since the prior evaluation, the bank's LTD ratios ranged from a low of 86.98 percent to a high of 98.13 percent. A review of nine financial institutions located within the bank's AAs revealed a range of average LTD ratios from 53 percent to 110 percent, with an overall average of 86 percent. MNB's LTD ratio ranked fourth out of the nine financial institutions, but is more than reasonable when compared to the overall average of 86 percent.

## Lending in Assessment Area

MNB's record of lending within its AAs is outstanding, with a substantial majority of the bank's lending inside the AAs by both number and dollar volume of originated loans. Our analysis of the bank's lending included residential real estate, business, and farm loans as these are the bank's primary lending products. Table 2 details MNB's AA lending activity during the evaluation period by number and dollar volume of originated loans.

<b>Table 2 - Lending in the AAs</b>										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	325	82%	71	18%	396	\$38,094	74%	\$13,163	26%	\$51,257
Home Refinance	289	88%	41	12%	330	\$36,502	86%	\$5,745	14%	\$42,247
Home Improvement	69	88%	9	12%	78	\$7,846	84%	\$1,544	16%	\$9,390
Business Loans	17	85%	3	15%	20	\$2,796	96%	\$125	4%	\$2,921
Farm Loans	18	90%	2	10%	20	\$1,644	69%	\$750	31%	\$2,394
Totals	718	85%	126	15%	844	\$86,882	80%	\$21,327	20%	\$108,209

Source: HMDA loans originated from January 1, 2014 through December 31, 2015, and small business and farm loan sample.

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

MNB's lending to borrowers of different income levels and to businesses and farms of different sizes reflects excellent penetration and supports outstanding performance. This is based primarily on the Non-MSA AA, as this is the bank's primary lending area. During the evaluation period, the bank originated 66 percent of their home loans in the Non-MSA AA.

### Non-MSA AA

MNB's record of lending to borrowers of different income levels and to businesses and farms of different sizes within the Non-MSA AA exhibits excellent penetration and demonstrates outstanding performance.

The bank's distribution of residential real estate loans in the Non-MSA AA reflects excellent penetration among borrowers of different income levels, especially moderate-income borrowers. Based upon an analysis of home loans originated during the evaluation period compared to the 2010 U.S. Census demographics, the bank's percentage of home loans made to low-income families in the AA is lower than the percentage of low-income families in the AA; however, the performance overall is reasonable. A factor that may contribute to the lower penetration to low-income borrowers is that 16 percent of the households in the AA live below the poverty level.

These households may experience difficulty meeting the credit underwriting standards for home mortgage loans. As of the 2015 demographic data, five of the nine census tracts in Highland County were categorized as “nonmetropolitan distressed or underserved” middle-income census tracts due to poverty. The bank’s percentage of home loans originated to moderate-income families is excellent. Refer to Table 3 below for specific details.

Table 3 – Borrower Distribution of Residential Real Estate Loans in the Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	22%	8%	20%	24%	22%	25%	36%	43%
Home Refinance		12%		23%		20%		45%
Home Improvement		15%		20%		24%		41%

Source: HMDA loans originated from January 1, 2014 through December 31, 2015; 2010 U.S. Census data, updated as of 2015. The above numbers are as a percentage of loans with borrower income information available, and the data shown only includes one-to-four family and manufactured housing loans.

MNB’s penetration of loans to small businesses is excellent and meets the standards for outstanding performance. In our sample of 20 business loans originated during the evaluation period, the bank made 80 percent of their loans to businesses with annual gross revenues of less than \$1 million, which compares favorably to the 77 percent of businesses in the AA. Refer to Table 4 for more details.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77%	4%	19%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	63%	37%	0%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

MNB’s penetration of loans to small farms is reasonable and meets the standards for satisfactory performance. In our sample of 20 farm loans originated during the evaluation period, the bank made 90 percent of their loans to farms with annual gross revenues of less than \$1 million, which compares reasonably to the 99 percent of farms in the AA. Refer to Table 5 for more details.

<b>Table 5 – Borrower Distribution of Loans to Farms in the Non-MSA AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	87%	6%	7%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

**Cincinnati MSA AA**

MNB’s record of lending to borrowers of different income levels and to businesses and farms of different sizes within the Cincinnati MSA AA exhibits reasonable penetration and demonstrates satisfactory performance.

The bank’s distribution of residential real estate loans in the Cincinnati MSA AA reflects excellent penetration among borrowers of different income levels, especially moderate-income borrowers. Based upon an analysis of home loans originated during the evaluation period compared to the 2010 U.S. Census demographics, the bank’s percentage of home loans made to low-income families in the AA is reasonable. Additionally, the percentage of home loans originated to moderate-income families is excellent. Refer to Table 6 below for specific details. In this AA, approximately 10 percent of the households live below the poverty level. These households may experience difficulty meeting the credit underwriting standards for home mortgage loans and contribute to the lower percentage of loans originated to low-income borrowers.

<b>Table 6 – Borrower Distribution of Residential Real Estate Loans in the Cincinnati MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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%	14%	19%	21%	23%	23%	38%	42%
Home Refinance		12%		21%		36%		31%
Home Improvement		18%		18%		18%		46%

Source: HMDA loans originated from January 1, 2014 through December 31, 2015; 2010 U.S. Census data, updated as of 2015. The above numbers are as a percentage of loans with borrower income information available, and the data shown only includes one-to-four family and manufactured housing loans.

The bank’s penetration of loans to small businesses is reasonable and meets the standards for satisfactory performance. In our sample of 20 business loans originated during the evaluation period, the bank made 70 percent of their loans to businesses with

annual gross revenues of less than \$1 million, which compares reasonably to the 81 percent of businesses in the AA. Refer to Table 7 for more details.

<b>Table 7 – Borrower Distribution of Loans to Businesses in the Cincinnati MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81%	4%	15%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	17%	83%	0%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

The bank’s penetration of loans to small farms is reasonable and meets the standards for satisfactory performance. In our sample of 20 farm loans originated during the evaluation period, the bank made 95 percent of their loans to farms with annual gross revenues of less than \$1 million, which compares reasonably to the 98 percent of farms in the AA. Refer to Table 8 for more details.

<b>Table 8 – Borrower Distribution of Loans to Farms in the Cincinnati MSA AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	80%	20%	0%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

**Columbus MSA AA – Limited Scope Review**

MNB’s record of lending to borrowers of different income levels and to businesses and farms of different sizes within the Columbus MSA AA exhibits reasonable penetration and demonstrates satisfactory performance.

The bank’s distribution of residential real estate loans in the Columbus MSA AA reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income borrowers. Based upon an analysis of home loans originated during the evaluation period compared to the 2010 U.S. Census demographics, the bank’s percentage of home loans made to low-income families in the AA is lower than the percentage of low-income borrowers in the AA. However, the percentage of home loans originated to moderate-income families is excellent. Refer to Table 9 below for specific details. A factor that may contribute to the lower penetration to low-income borrowers is that 8 percent of the households in the AA live below the poverty level. These households may experience difficulty meeting the credit underwriting standards for home mortgage loans.

Table 9 – Borrower Distribution of Residential Real Estate Loans in the Columbus MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
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
Home Purchase	17%	8%	17%	23%	22%	35%	44%	34%
Home Refinance		9%		30%		15%		46%
Home Improvement		0%		50%		0%		50%

Source: HMDA loans originated from January 1, 2014 through December 31, 2015; 2010 U.S. Census data, updated as of 2015. The above numbers are as a percentage of loans with borrower income information available, and the data shown only includes one-to-four family and manufactured housing loans.

The bank’s penetration of loans to small businesses is excellent and meets the standards for outstanding performance. In our sample of 20 business loans originated during the evaluation period, the bank made 90 percent of their loans to businesses with annual gross revenues of less than \$1 million, which compares favorably to the 80 percent of businesses in the AA. Refer to Table 10 for more details.

Table 10 – Borrower Distribution of Loans to Businesses in the Columbus MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	80%	4%	16%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	82%	18%	0%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

The bank’s penetration of loans to small farms is reasonable and meets the standards for satisfactory performance. In our sample of 20 farm loans originated during the evaluation period, the bank made 90 percent of their loans to farms with annual gross revenues of less than \$1 million, which compares reasonably to the 98 percent of farms in the AA. Refer to Table 11 for more details.

Table 11 – Borrower Distribution of Loans to Farms in the Columbus MSA AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	98%	2%	0%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	72%	28%	0%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

Springfield MSA AA – Limited Scope Review

MNB’s record of lending to borrowers of different income levels and to businesses and farms of different sizes within the Springfield MSA AA exhibits reasonable penetration and demonstrates satisfactory performance.

The bank’s distribution of residential real estate loans in the Springfield MSA AA reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income borrowers. Based upon an analysis of home loans originated during the evaluation period compared to the 2010 U.S. Census demographics, the bank’s percentage of home loans made to low-income families in the AA is poor. However, the percentage of home loans originated to moderate-income families is reasonable with 17 percent of home refinance loans to moderate-income families, which meets the census demographics. The bank only originated 18 residential real estate loans in the Springfield MSA AA during the evaluation period, with the majority being refinance loans. A factor that may contribute to the lower penetration to low-income borrowers is that 16 percent of the households in the AA live below the poverty level. These households may experience difficulty meeting the credit underwriting standards for home mortgage loans. Refer to Table 12 below for specific details.

Table 12 – Borrower Distribution of Residential Real Estate Loans in the Springfield MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	22%	0%	17%	0%	22%	40%	39%	60%
Home Refinance		0%		17%		17%		66%
Home Improvement		0%		0%		67%		33%

*Source: HMDA loans originated from January 1, 2014 through December 31, 2015; 2010 U.S. Census data, updated as of 2015. The above numbers are as a percentage of loans with borrower income information available, and the data shown only includes one-to-four family and manufactured housing loans.*

The bank’s penetration of loans to small businesses is significantly lower than the percentage of AA businesses and represents poor performance. In our sample of 20 business loans originated during the evaluation period, the bank originated 30 percent of their loans to businesses with annual gross revenues of less than \$1 million, which compares unfavorably to the 76 percent of businesses in the AA. However, the bank’s lending and deposit activity in this AA is less than the other AAs. The majority of the loans in our sample were to the same larger borrowers, which contributed to the sample results. Refer to Table 13 for more details.

<b>Table 13 – Borrower Distribution of Loans to Businesses in the Springfield MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76%	5%	19%	100%
% of Bank Loans in AA by #	30%	65%	5%	100%
% of Bank Loans in AA by \$	15%	81%	4%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

The bank's penetration of loans to small farms is reasonable and meets the standards for satisfactory performance. In our sample of 20 farm loans originated during the evaluation period, the bank made 75 percent of their loans to farms with annual gross revenues of less than \$1 million, which compares reasonably to the 99 percent of farms in the AA. Refer to Table 14 for more details.

<b>Table 14 – Borrower Distribution of Loans to Farms in the Springfield MSA AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	60%	40%	0%	100%

Source: Loan sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

## Geographic Distribution of Loans

MNB's geographic distribution of loans exhibits excellent dispersion to the low- and moderate-income census tracts within the AAs and is reflective of outstanding performance. The majority of the bank's lending and deposit activity occurs in the Non-MSA and Cincinnati MSA AAs. Our analysis revealed lending activity in most areas with no conspicuous gaps.

### Non-MSA AA

Lending to geographies of different income levels in the Non-MSA AA reflects excellent dispersion, demonstrating outstanding performance. During the evaluation period, there were no low- or upper-income census tracts in this AA. The majority of the moderate-income census tracts are located in Highland County, which includes the bank's main office location. As of the 2015 demographic data, five of the nine census tracts in Highland County were categorized as "nonmetropolitan distressed or underserved" middle-income census tracts due to poverty and the rest were moderate-income census tracts. The bank made approximately 66 percent of its home mortgage loans within the Non-MSA AA during the evaluation period.

The geographic distribution of home loans reflects excellent dispersion to moderate-income borrowers and represents outstanding performance. Refer to Table 15 for specific details.

<b>Table 15 – Geographic Distribution of Residential Real Estate Loans in the Non-MSA AA</b>				
Census Tract Income Level	Moderate		Middle	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	25%	27%	75%	73%
Home Refinance		27%		73%
Home Improvement		27%		73%

Source: HMDA loans originated from January 1, 2014 to December 31, 2015; 2010 U.S. Census data, updated as of 2015. The data shown above only includes one-to-four family and manufactured housing loans.

The dispersion of business loans in the Non-MSA AA is excellent and reflective of outstanding performance. Based on our loan sample, the bank originated 30 percent of the number of business loans in moderate-income census tracts. Additionally, six of the 20 (30 percent) loans in the sample were originated in nonmetropolitan distressed or underserved middle-income census tracts. When looking at both the moderate-income census tract originations plus the additional originations in distressed or underserved middle-income areas, overall performance exceeds the standard for excellent dispersion. Refer to Table 16 for more details.

<b>Table 16 – Geographic Distribution of Loans to Businesses in the Non-MSA AA</b>				
Census Tract Income Level	Moderate		Middle	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	31%	30%	69%	70%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data. Note: Of the 14 loans in middle-income census tracts, six were located in nonmetropolitan distressed or underserved census tracts in Highland County (43 percent).

The dispersion of farm loans in the Non-MSA AA is excellent and reflective of outstanding performance. Based on our loan sample, the bank originated 25 percent of the number of farm loans in moderate-income census tracts. This performance compares favorably to the 10 percent of AA farms located in the moderate-income tracts. Additionally, 10 of the 20 (50 percent) loans in the sample were originated in nonmetropolitan distressed or underserved middle-income census tracts. Refer to Table 17 for more details.

<b>Table 17 – Geographic Distribution of Loans to Farms in the Non-MSA AA</b>				
Census Tract Income Level	Moderate		Middle	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	10%	25%	90%	75%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.  
 Note: Of the 15 loans in middle-income census tracts, 10 were located in nonmetropolitan distressed or underserved census tracts in Highland County (67 percent).

**Cincinnati MSA AA**

Lending to geographies of different income levels in the Cincinnati MSA AA reflects excellent dispersion, demonstrating outstanding performance. During the evaluation period, there were no low-income census tracts.

The geographic distribution of home loans reflects excellent dispersion to moderate-income borrowers and represents outstanding performance. Refer to Table 18 for specific details.

<b>Table 18 – Geographic Distribution of Residential Real Estate Loans in the Cincinnati MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	12%	19%	69%	81%	19%	0%
Home Refinance		10%		88%		2%
Home Improvement		25%		75%		0%

Source: HMDA loans originated from January 1, 2014 to December 31, 2015; 2010 U.S. Census data, updated as of 2015. The data shown above only includes one-to-four family and manufactured housing loans.

The dispersion of business loans in the Cincinnati MSA AA is excellent and reflective of outstanding performance. Based on our loan sample, the bank originated 35 percent of business loans in moderate-income census tracts, which compares favorably to the 13 percent of AA businesses located in the moderate-income tracts. Refer to Table 19 for more details.

<b>Table 19 – Geographic Distribution of Loans to Businesses in the Cincinnati MSA AA</b>						
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	13%	35%	66%	65%	21%	0%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

The dispersion of farm loans in the Cincinnati MSA AA is excellent and reflective of outstanding performance. Based on our loan sample, the bank originated 15 percent of farm loans in moderate-income census tracts, which compares favorably to the 14 percent of AA farms located in the moderate-income tracts. Refer to Table 20 for more details.

<b>Table 20 – Geographic Distribution of Loans to Farms in the Cincinnati MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	14%	15%	77%	85%	9%	0%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

**Columbus MSA AA – Limited Scope Review**

Lending to geographies of different income levels in the Columbus MSA AA reflects reasonable dispersion, demonstrating satisfactory performance. During the evaluation period, there were no low-income census tracts and only one moderate-income census tract.

The geographic distribution of home loans reflects reasonable dispersion to moderate-income borrowers and represents satisfactory performance. The bank originated three percent home refinance loans compared to the demographic comparator of four percent. Refer to Table 21 for specific details.

<b>Table 21 – Geographic Distribution of Residential Real Estate Loans in the Columbus MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4%	0%	61%	76%	35%	24%
Home Refinance		3%		76%		21%
Home Improvement		0%		100%		0%

Source: HMDA loans originated from January 1, 2014 to December 31, 2015; 2010 U.S. Census data, updated as of 2015. The data shown above only includes one-to-four family and manufactured housing loans.

The dispersion of business loans in the Columbus MSA AA is poor. Based on our loan sample, the bank did not originate any business loans in the moderate-income census tract. The moderate-income census tract in this AA is located in Union County. The bank opened its Marysville office in 2014 in this moderate-income census tract and continues to work to expand their presence in this area. Refer to Table 22 for more details.

<b>Table 22 – Geographic Distribution of Loans to Businesses in the Columbus MSA AA</b>						
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	8%	0%	58%	100%	34%	0%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

The dispersion of farm loans in the Columbus MSA AA is reasonable and reflective of satisfactory performance. Based on our loan sample, the bank did not originate any loans in the moderate-income census tract; however, only two percent of AA farms are in the one moderate-income census tract in the AA. Refer to Table 23 for more details.

<b>Table 23 – Geographic Distribution of Loans to Farms in the Columbus MSA AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	2%	0%	63%	95%	35%	5%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

Springfield MSA AA – Limited Scope Review

Lending to geographies of different income levels in the Springfield MSA AA reflects reasonable dispersion, demonstrating satisfactory performance.

The geographic distribution of home loans reflects reasonable dispersion to low- and moderate-income borrowers and represents satisfactory performance. In total, the bank only originated 18 loans in this AA during the evaluation period. The bank originated 25 percent of home refinance loans to low-income borrowers representing excellent performance. MNB originated 13 percent of home refinance loans to moderate-income borrowers, which is reasonable when compared to the demographic comparator of 17 percent. Refer to Table 24 for specific details.

Table 24 – Geographic Distribution of Residential Real Estate Loans in the Springfield MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	6%	0%	17%	0%	40%	29%	37%	71%
Home Refinance		25%		13%		25%		37%
Home Improvement		0%		0%		67%		33%

Source: HMDA loans originated from January 1, 2014 to December 31, 2015; 2010 U.S. Census data, updated as of 2015. The data shown above only includes one-to-four family and manufactured housing loans.

The dispersion of business loans in the Springfield MSA AA is excellent and reflective of outstanding performance. Based on our loan sample, the bank originated 55 percent of the number of business loans in moderate-income census tracts, which compares favorably to the 22 percent of AA businesses located in the moderate-income tracts. Refer to Table 25 for more details.

Table 25 – Geographic Distribution of Loans to Businesses in the Springfield MSA AA								
Census Tract Income Level	Low		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	% of AA Businesses	% of Number of Loans
Business Loans	11%	0%	22%	55%	28%	0%	39%	45%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

The dispersion of farm loans in the Springfield MSA AA is poor. Based on our loan sample, the bank did not originate any loans in the low- and moderate-income census tracts; however, only three percent of AA farms in this tract are low-income and six percent are moderate-income. Refer to Table 26 for more details.

Table 26 – Geographic Distribution of Loans to Farms in the Springfield MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	3%	0%	6%	0%	35%	50%	56%	50%

Source: Loan Sample; Dunn and Bradstreet data as of June 2014; 2010 U.S. Census data.

**Responses to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

MNB’s community development performance demonstrates adequate responsiveness to CD needs of the AAs through CD lending, investments, and services, which is reflective of satisfactory performance. The Non-MSA AA, Cincinnati MSA AA, Columbus MSA AA, and Springfield MSA AA reflect satisfactory performance.

**Number and Amount of Community Development Loans**

MNB’s responsiveness to CD lending is excellent and reflects outstanding performance. During this evaluation period, the bank made a total of 20 CD loan originations or renewals, totaling almost \$1.4 million.

Non-MSA AA

During the evaluation period, the bank originated five CD loans to three different organizations totaling \$249,000. This indicates excellent responsiveness to the CD needs of the community. The bank made one loan to an organization that runs a food pantry, a loan to an organization that provides job training to low- and moderate-income individuals, and loans to a housing agency that emphasizes the serving of low- and moderate-income individuals with disabilities.

Cincinnati MSA AA

During the evaluation period, the bank originated or renewed eight CD loans to one borrower totaling \$708,000. This indicates excellent responsiveness to the CD needs of the community. The bank made all eight loans to an individual who operates adult day care/group home facilities for low- and moderate-income individuals.

Columbus MSA AA – Limited Scope Review

During the evaluation period, the bank originated or renewed six CD loans to one organization totaling \$264,000, which indicates adequate responsiveness to the CD needs of the community. The six loans represent two loans that have been renewed during the evaluation period. MNB originated or renewed all six loans to an

organization that provides affordable housing to low- and moderate-income individuals and families and assists with United States Department of Agriculture and rural development lending.

Springfield MSA AA – Limited Scope Review

The bank originated one CD loan for \$150,000 in the Springfield MSA AA during the evaluation period, which represents adequate responsiveness to the CD needs of the community. The loan was made to an organization that provides affordable housing to low- and moderate-income individuals with disabilities.

**Number and Amount of Qualified Investments**

MNB's qualified CD investment activity is adequate. All four AAs had adequate responsiveness and support a satisfactory rating.

Non-MSA AA

MNB's level of CD investments is adequate given the asset size and the capacity of the bank in the Non-MSA AA. We based our review on the volume and types of investments made by the bank relative to the CD opportunities of the AA. During the evaluation period, MNB made 48 qualifying donations to 35 organizations totaling \$44,000. MNB donated approximately \$23,000 to the Highland County Society for Children and Adults. This organization provides assistance and health services to Highland County residents who are primarily low- and moderate-income individuals or families and who need help with expenses for necessary medical treatments, transportation to hospitals, and health equipment and devices.

Cincinnati MSA AA

MNB's level of CD investments is adequate given the asset size and the capacity of the bank in the Cincinnati MSA AA. During this evaluation period, MNB made 25 donations to 16 organizations totaling \$6,000. Many of the donations were to aid low-and moderate-income children with school supplies, clothing, and other necessary items.

Columbus MSA AA – Limited Scope Review

MNB's level of CD investments is adequate given the asset size and the capacity of the bank in the Columbus MSA AA. During this evaluation period, MNB made 26 donations to 14 organizations totaling \$9,000. The majority of the donations were to organizations that provide CD services to low- and moderate-income families.

Springfield MSA AA – Limited Scope Review

MNB's level of CD investments is adequate given the asset size and the capacity of the bank in the Springfield MSA AA. During this evaluation period, MNB made 15 donations to six organizations totaling \$3,000. The largest donations were made to local food banks.

## **Extent to Which the Bank Provides Community Development Services**

CD services provided by the bank represent adequate responsiveness to CD needs and demonstrate satisfactory performance. MNB employee involvement in CD services is adequate in all AAs. MNB representatives serve on major community groups that are active in meeting affordable housing and CD service needs of low- and moderate-income individuals and areas. These organizations provide essential services to low- and moderate-income individuals, as well as services to organizations that are dedicated to promoting economic development and creating or improving jobs for low- and moderate-income geographies or individuals.

MNB is involved in several school programs. Bank employees participate in the Junior Achievement program for Ohio Valley Schools. They also participate in the “My Money, My World” program at Hillsboro City Schools, which teaches budgeting to “at risk” students. In addition to the “My Money, My World” program, MNB has a school savings program at the Hillsboro schools that is conducted on a weekly basis.

At least five bank officers and employees provide CD services to more than seven organizations. They serve on boards or in other roles at numerous CD organizations providing technical assistance and expertise. For example, some of the organizations that employees serve include the following (but not limited to): Turning Point Adult Alternative Learning Center, Inc., Highland County Metropolitan Housing Authority, Community Improvement Corporation in Highland County, Habitat for Humanity in Highland County, South Central Development Corporation, Highland County Community Action Organization, Inc., and HighCo Inc.

MNB participates in a loan program, which targets low- and moderate-income borrowers. The Federal Home Loan Bank of Cincinnati (FHLBC) offers the "Welcome Home" program that provides down payment assistance funds to borrowers who meet the income criteria. Since MNB is a member of the FHLBC, they are permitted to use these grants to assist borrowers. During the evaluation period, the bank used grants from this program to close 11 loans.

In addition, MNB offers several other services targeted to serving low- and moderate-income individuals. For example, MNB offers the MNB Free Checking account, a no service fee charge checking account targeted to low- and moderate-income customers. MNB also assists Habitat for Humanity (Highland County) by servicing its loan payments and providing financial reporting free of charge.

### Non-MSA AA

MNB’s responsiveness to CD needs in the Non-MSA AA through CD services is adequate. MNB’s delivery systems are accessible to geographies and individuals throughout the AA. There are five banking offices located in moderate-income census tracts in the Non-MSA AA. No branches have been closed since the last CRA evaluation. At least five bank officers and employees provide CD services to more than seven CD organizations. See above for a description of CD activities by bank officers and employees.

Cincinnati MSA AA

MNB's responsiveness to CD needs in the Cincinnati MSA AA through CD services is adequate. MNB's delivery systems are accessible to geographies and individuals throughout the AA. There is one banking office located in a moderate-income census tract in the Cincinnati MSA AA. See above for a description of CD activities by bank officers and employees.

Columbus MSA AA – Limited Scope Review

MNB's responsiveness to CD needs in the Columbus MSA AA through CD services is adequate. MNB's delivery systems are accessible to geographies and individuals throughout the AA. There is one banking office located in a moderate-income census tract in the Columbus MSA AA. See above for a description of CD activities by bank officers and employees.

Springfield MSA AA – Limited Scope Review

MNB's responsiveness to CD needs in the Springfield MSA AA through CD services is adequate. MNB's delivery systems are accessible to geographies and individuals throughout the AA. The Springfield office is located in a middle-income census tract. See above for a description of CD activities by bank officers and employees.

**Responsiveness to Community Development Needs**

MNB is adequately responsive to CD needs of the AAs through CD lending, investments, and services. The Non-MSA AA, Cincinnati MSA AA, Columbus MSA AA, and Springfield MSA AA reflect satisfactory performance.

**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.