



PUBLIC DISCLOSURE

February 24, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Lynnville National Bank
Charter Number 8868

215 Main Street
Lynnville, IN 47619

Office of the Comptroller of the Currency

St. Louis Field Office
500 North Broadway, Suite 1700
St. Louis, MO 63102

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 major factors supporting the institution's rating are:

- The bank's quarterly average loan-to-deposit ratio is more than reasonable.
- The bank originated or purchased a majority of loans within its assessment area (AA).
- The bank's distribution of loans to borrowers of different income levels reflects reasonable penetration.

SCOPE OF EVALUATION

This Performance Evaluation of Lynnville National Bank (LNB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated LNB under the Small Bank performance criteria.

The evaluation period is from August 13, 2007 through February 24, 2014. Conclusions regarding the bank's lending performance are based on LNB's primary loan product that consists of residential real estate (RRE) loans. We analyzed all Home Mortgage Disclosure Act (HMDA) loans that LNB originated or purchased from January 1, 2012 through December 31, 2013. We conducted a data integrity review of the RRE loans reported under the HMDA and determined the HMDA data was accurate and reliable.

DESCRIPTION OF INSTITUTION

LNB is a nationally chartered intrastate bank headquartered in Lynnville, Indiana, with three branch offices located in the cities of Boonville, Chandler and Newburgh. The Lynnville, Boonville, and Chandler offices are located in middle-income geographies. The Newburgh office is located in an upper-income geography. A cash-withdrawal-only automated teller machine (ATM) is located at each office and at Castle High School in Newburgh, Indiana. As of December 31, 2013, LNB reported total assets of \$100 million and Net Tier One Capital of \$11 million. LNB's business strategy focuses on the origination of RRE and consumer loans. As of December 31, 2013, net loans and leases represented 77% of total assets and consisted of RRE loans (69%), commercial loans (15%), consumer loans (6%), agricultural loans (5%) and other loans (5%). LNB Community Bancorp, a single-bank holding company, wholly owns LNB. There are no legal, financial, or other factors impeding LNB's ability to help meet the credit needs of the AA it serves.

LNB was rated "Satisfactory" at its last CRA evaluation dated August 13, 2007.

DESCRIPTION OF ASSESSMENT AREA

LNB's AA consists of Warrick County, which is one of the four Indiana counties within the Evansville, IN-KY Metropolitan Statistical Area #21780. The bank's AA conforms to regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies.

LNB's AA has five middle-income geographies and six upper-income geographies. The 2013 Federal Financial Institutions Examination Council (FFIEC) updated median family income for the AA was \$60,100. Fourteen percent and 15% of families are low- and moderate-income, respectively. The 2010 median housing value for the AA was \$140,342. The following is additional demographic data for the AA.

WARRICK COUNTY DEMOGRAPHIC DATA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	11	0.00	0.00	45.45	54.55
Population by Geography	59,689	0.00	0.00	38.82	61.18
Owner-Occupied Housing by Geography	18,508	0.00	0.00	41.39	58.61
Business by Geography	4,039	0.00	0.00	35.90	64.10
Farms by Geography	268	0.00	0.00	51.49	48.51
Family Distribution by Income Level	16,841	13.51	15.14	20.54	50.81
Distribution of Low and Moderate Income Families throughout AA Geographies	4,826	0.00	0.00	53.52	46.48
Median Family Income		60,518	Median Housing Value		140,342
FFIEC Estimated Median Family Income for 2013		60,100	Unemployment Rate (2010 US Census)		2.94%
Households Below Poverty Level		7%			

Source: 2010 US Census and 2013 FFIEC updated MFI

In Warrick County, non-agricultural wage and salaried employment decreased from 29,632 in August 2007 to 28,978 in December 2013, a decrease of 2%. The unemployment rate increased from 4% to 5% during the same period. The state of Indiana unemployment rate was 6% as of December 2013. Major industries consist of healthcare, followed by manufacturing. Major employers include Alcoa Inc., Deaconess Gateway Hospital, St. Mary's Hospital, Walmart Stores Inc., and Newburgh Health Care. Four percent of families in the AA live below the poverty level.

LNB's deposits totaled \$81 million as of June 30, 2013. LNB is the third largest deposit-taking institution in Warrick County with a 13% market share based upon FDIC deposit data. Competition for financial services is strong with eleven other financial institutions located in the bank's AA. The three largest financial institutions consist of Old National Bank, Peoples Trust and Savings Bank, and Lynnville National Bank.

We contacted a representative from the Warrick County Chamber of Commerce to identify AA credit needs. The representative stated the AA could benefit from flexible credit underwriting for both commercial loans and small consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

LNB's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, current competition, its financial condition, AA credit needs, and its business strategy.

As of December 31, 2013, LNB's LTD ratio was 91%. The bank's quarterly average of LTD ratios since the last CRA evaluation was 90%. This ratio is higher than the three comparable financial institutions. The average LTD ratios of these financial institutions, which are comparable in size and location, range from 61% to 87% for the same period.

Lending in Assessment Area

LNB originated or purchased a majority (73%) of loans inside its AA. LNB originated or purchased by number, 59%, 73%, and 77% of home purchase, home improvement, and home mortgage refinance loans, respectively, within its AA.

Lending in Warrick County										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Home Purchase	69	59%	48	41%	117	\$9,096	66%	\$4,761	34%	\$13,857
Home Improvement	8	73%	3	27%	11	913	90%	107	10%	1,020
Home Mortgage Refinance	311	77%	92	23%	403	40,651	76%	12,503	24%	53,154
Totals	388	73%	143	27%	531	\$50,660	74%	\$17,371	26%	\$68,031

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2013. .

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

LNB's lending distribution of RRE loans to borrowers of different income levels reflects reasonable penetration.

Home Purchase Loans

The percentage of loans to low-income borrowers (9%) was lower than the percentage of AA families who were low-income (14%). The percentage of loans to moderate-income borrowers (20%) exceeded the percentage of families who were moderate-income (15%). LNB's market share of loans to low-income borrowers (3%) was somewhat lower than the bank's overall market share percentage (4%). LNB's market share of loans to moderate-income borrowers (4%) equaled its overall market share percentage (4%).

Home Improvement Loans

The volume of home improvement loans originated or purchased (8) was not significant enough to perform a meaningful analysis.

Home Mortgage Refinance

The percentage of loans to low-income borrowers (6%) was lower than the percentage of families who were low-income (14%). The percentage of loans to moderate-income borrowers (21%) exceeded the percentage of families who were moderate-income (15%). LNB's market share of loans to low-income borrowers (12%) and moderate-income borrowers (13%) exceeded the bank's overall market share percentage (11%).

Borrower Distribution of Residential Real Estate Loans in Warrick County													
Borrower Income Level	Low		Moderate		Middle		Upper		Market Share*				
	% 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***	Overall	Low	Mod	Mid	Upp
Loan Type													
Home Purchase	14%	9%	15%	20%	20%	25%	51%	45%	4%	3%	4%	5%	3%
Home Improvement	14%	13%	15%	0%	20%	13%	51%	62%	1%	0%	0%	0%	4%
Home Mortgage Refinance	14%	6%	15%	21%	20%	26%	51%	44%	11%	12%	13%	11%	9%

*Based on 2012 Peer Mortgage Data (USPR).

** Percentage of Families is based upon 2010 Census information.

*** As a percentage of loans with borrower income information available. No income information was available for 1%, 12%, and 3% of home purchase, home improvement, and home mortgage refinance loans, respectively.

Geographic Distribution of Loans

LNB's AA does not have any low- or moderate-income geographies. Therefore, this criterion is not applicable.

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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