



**Ohio House Financial Institutions, Housing,
and Urban Development Committee**

7 March 2017

Chairman Dever, Vice Chair Sprague, Ranking Member Smith, and members of the committee, my name is Steve Foster. I am the CEO of LCNB National Bank and the Chairman of the Ohio Bankers League Board of Directors.

Lebanon Citizens National Bank was formed as a national banking association in 1877. The bank has been headquartered in Lebanon for the last 140 years. LCNB Corp., an Ohio corporation formed in December 1998 and on May 19, 1999, the bank became a wholly-owned subsidiary of LCNB Corp. The bank is a full-service community bank which includes trust and investment services. We have 35 offices located throughout 9 counties in southern Ohio and we have \$1.3 billion in assets.

I am in the 43rd year of my banking career and have spent the last 40 years at LCNB and proud to be a community banker.

The Ohio Bankers League (OBL), of which you are likely familiar already, represents LCNB and the banking industry at the Statehouse and in Washington. The OBL was founded 126 years ago. It is comprised of Ohio's commercial banks, savings & loan institutions and savings banks and its explicit mission is to carry out those activities best done cooperatively. The OBL is proud to represent all banks and thrifts in Ohio, from the state's smallest savings and loan, with \$13 million in assets located in the coal country of eastern Ohio to some of the largest banks in the nation. OBL member banks collectively represent about 98% of the assets of the Ohio banking industry. In terms of our diverse education offering, staff size and budget, the OBL is among the most robust banking trade associations in the country.

Ohio is a leading banking state in terms of size. We rank second in the nation in assets of banks chartered here. While our number of individual charters continues to decline like every other state across the country the Ohio banking industry continues to grow in size and stability. In 2003 we counted 307 and today we have 197 banks and thrifts headquartered or chartered in Ohio. Another couple of dozen have branches in our state. – Ohio's banking industry is significant to our state's economy. Collectively we directly employ more than 140,000 people. There are thousands more Ohioans with careers as examiners, accountants, attorneys, etc. who indirectly rely on our industry for employment. Ohio deposits have increased by over 20% since the financial crisis in 2009. That deposit growth reflects many factors, but a major cause is Ohio consumers seeking the assured safety of FDIC insured institutions.

Deposit insurance, backed by the full faith and credit of the federal government, but fully funded by traditional banks is an important source of strength. Another is the fact that government requires banks to carry significantly higher capital ratios than competitors. In fact, relevant to the way Ohio taxes its banks, we have seen total equity capital grow by 13.6% since 2009. As the new Basel III international capital standard is finalized, minimum capital ratios will continue to march upward. Last week, a group of Ohio bankers were in Washington DC to meet with the chairman of the FDIC and other regulators to discuss the health of our industry. I am pleased to report to you that by almost every metric, Ohio banks are financially healthy and have rebuilt balance sheet strength since the great recession. According to the chairman, the fact we have recovered more quickly than the banking system in any other nation is a function of strong leadership in our industry and competent regulators that required U.S. banks to charge off loans aggressively and recapitalize quickly.

Other, important sources of strength include a robust regulatory regime addressing everything from safety and soundness to consumer protection and a rigorous system of enforcement where large teams of bank examiners, financed by exam fees paid by banks, visit every bank regularly and examine everything from financial stability to fair treatment of consumers. No other financial service advisor has close to the same level of rigor of government oversight.

Banks are sensitive barometers of the economy. As you know from the communities you represent, Ohio's economic recovery was painfully slow. The health of banks around the state reflect villages and cities in which they serve. Bankers tend to be the first to know when a local business is scaling back their operation as well as expanding and hiring more employees. In fact, bankers are active in their communities' economic development efforts. There are numerous examples around the state of where the local bank invests in their downtown to serve as a magnet for new economic activity. While our state unemployment rate is lower than many other states, too many of our neighbors who want to work, still cannot find productive employment. I am happy to report however, that Ohio banks are willing and able to provide loans for individuals as well as small businesses.

Ohio's economy can only function efficiently if the public has confidence in the stability of the banking system and that consumers will be treated fairly. We want consumers to have easy access to a wide array of competitive, safe choices for the products and services they need. We need efficient, effective rules of the road that protect the consumer and the marketplace.

Both federal and state government need to make certain that their rules apply to functionally equivalent products and services equally, regardless of who provides them. Rules and regulations must be drawn with attention to both effectiveness and efficiency. They must not harm the consumer by unnecessarily restricting choice or positive marketplace development. It is this reason that the industry and its regulatory bodies continually remain in touch with one another on rule-changes and modernization of rules and regulations.

Mr. Chair, members of the committee, thank you for your invitation to appear here today; I welcome any questions you may have.