



PUBLIC DISCLOSURE

March 7, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LCNB National Bank
Charter Number 2360

2 North Broadway
Lebanon, Ohio 45036

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 Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.
- LCNB's geographic distribution of loans reflects reasonable dispersion to the low- and moderate-income census tracts within the AA.
- LCNB National Bank (LCNB) makes a substantial majority of their loans inside their assessment areas (AA).
- LCNB's loan-to-deposit (LTD) ratio is reasonable.
- Responsiveness to community development (CD) needs through lending, investments and services is excellent and supports outstanding performance.

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 evaluation procedures to evaluate the bank's performance under the Lending Test and CD Test. The Lending Test included loans originated from January 1, 2014 to December 31, 2015. A data integrity examination of the bank's home mortgage loans, as reported via the Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs), and CRA small business loan data was performed in January 2016 to determine the accuracy of the bank's data. We found the data was accurate and reliable. The bank's performance in residential real estate (one-to four-family home loans) and small business (commercial and commercial real estate loans) lending is considered foremost in this CRA evaluation as these are the bank's primary lending products. For each AA, we conducted separate analyses. We used the 2010 U.S. Census data to analyze performance. The evaluation under the CD Test considered CD loans, investments, and services from December 3, 2012 to March 7, 2016 (evaluation period).

LCNB has designated three AAs, as detailed under the ***Description of Assessment Areas*** section. The Cincinnati Metropolitan Statistical Areas (MSA) AA is the bank's primary AA. The majority of the bank's deposit activity occurs in the Cincinnati MSA AA, with approximately 62 percent of total deposits in the Cincinnati MSA AA as of June 30, 2015. A majority of the lending occurs in this AA. In addition, the main office and 19 of LCNB's 36 branches are located in the Cincinnati MSA AA. For analysis purposes, we conducted a full scope review of the Cincinnati MSA AA, and limited scope reviews of the Dayton MSA AA and Non-MSA AA.

Description of Institution

LCNB is an intrastate community bank, headquartered in Lebanon, Ohio. The main office is located in Warren County, approximately 30 miles north of Cincinnati. LCNB is a wholly owned subsidiary of LCNB Corp., a one-bank financial services holding company, also based in Lebanon.

LCNB is a full-service lender offering a full range of standard lending and deposit products, including trust services, to accommodate the needs of customers within its AAs. As of December 31, 2015, LCNB reported total assets of \$1.279 billion and Tier 1 capital of \$106 million, or eight percent of total assets. For the same time period, the bank's loan portfolio totaled \$767 million, with net loans representing 60 percent of total assets. As illustrated in Table 1 below and through discussions with management, the bank's primary lending products are residential real estate and commercial/commercial real estate loans. By number, consumer loans made up 46 percent of originated loans, but only totaled five percent of the dollar volume originated. By reviewing home loans and commercial loans, we included approximately 89 percent the dollar volume of originated loans during the evaluation period. In 2014, LCNB sold 16 percent of their residential real estate mortgage loan originations to Freddie Mac (\$7.4 million) and sold 17 percent in 2015 (\$13.5 million) to Freddie Mac.

Table 1 – Loan Mix				
Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period		% by Number of Loans Originated/Purchased during evaluation period	
	\$000's	%	# of Loans	%
Home Loans	126,390	33%	1,250	35%
Consumer Loans	19,709	5%	1,654	46%
Commercial Loans	211,543	56%	562	16%
Agricultural Loans	21,994	6%	94	3%
Total	379,636	100%	3,560	100%

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

LCNB's market area consists of a mix of suburban and urban areas. Competition in the bank's AA is strong. Dominant competitors in Southwest Ohio include Fifth Third Bank, U.S. Bank, PNC, Huntington, First Financial Bank, JPMorgan Chase, Union Savings Bank, and KeyBank.

LCNB has 36 full-service branches located in Butler, Clermont, Clinton, Fayette, Hamilton, Montgomery, Preble, Ross, and Warren counties. No branches are located in low-income census tracts (CTs), six are located in moderate-income CTs, 24 are located in middle-income CTs, and six are located in upper-income CTs. The bank has drive-through facilities at all offices. In total, LCNB has 40 ATMs, consisting of at least one at each branch location and four stand-alone ATMs located in middle- and upper-income CTs.

Since the last CRA evaluation in December 2012, LCNB has added 13 branches and expanded into Fayette, Preble, and Ross counties. In 2013, LCNB acquired the Citizens National Bank of Chillicothe and its six branches (Chillicothe, Western Ave, Bridge St, Clarksburg, Frankfort, and Washington Court House). LCNB acquired five additional branches with the January 2014 acquisition of Eaton National Bank (Barron Street, Eaton Branch, Lewisburg Branch, New Paris Branch, and West Alexandria Branch). LCNB acquired Brookville National Bank in 2015, adding two offices.

LCNB closed two branches since the prior evaluation. LCNB closed the Mason Christian Village branch in June 2014. This branch was located in a middle-income CT of Warren County. LCNB closed the Okeana Branch located in Butler County in February 2016. This branch was located in an upper-income CT.

Presently, there are no financial or legal impediments that affect LCNB's ability to help meet the credit needs of its AA. The bank's last CRA evaluation was conducted as of December 3, 2012 and resulted in a "Satisfactory" rating.

Description of Assessment Areas

LCNB has designated three AAs: the Cincinnati MSA AA, the Dayton MSA AA, and the Non-MSA AA. The AAs are contiguous, meet the requirements of the CRA, and do not arbitrarily exclude any low- or moderate-income areas. The bank's primary AA is the Cincinnati MSA AA; this AA consists of 20 of the bank's 36 branches, including the bank's main office.

Competition in the AA is strong with many national banks, savings and loans, mortgage banks, and branches of large financial institutions located in the AA. As of June 30, 2015, LCNB had a 0.82 percent deposit market share in the Cincinnati MSA AA and was ranked ninth out of 48 financial institutions behind eight larger financial institutions. For the same time period, the bank had a 1.71 percent deposit market share in the Dayton MSA AA and a 12.83 percent deposit market share in the Non-MSA AA. In the Dayton MSA AA, LCNB was ranked ninth out of 18 financial institutions and ranked first out of 25 financial institutions in the Non-MSA AA. The source of the deposit market share information is the June 30, 2015 Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC).

Community contacts and discussion with management indicated that the AA's economy has been improving. The credit needs of the AA include affordable housing and small business lending. Our community contact did not comment on whether the local financial institutions are meeting those needs. However, per discussion with management and review of other community contacts, the community development needs and opportunities are adequately served by the local financial institutions, and local financial institutions are meeting the credit needs of the community.

Cincinnati MSA AA

The Cincinnati MSA AA is located in the Cincinnati-OH-KY-IN MSA 17140 and includes Warren County, Butler County, the north central portion of Clermont County, and the western half of Hamilton County. The AA consists of whole CTs, surrounds the branches located in each county, and is contiguous to the other AAs. This AA meets the requirements of the regulation. The AA consists of 207 CTs comprised of 23 low-income CTs (11 percent), 51 moderate-income CTs (25 percent), 76 middle-income CTs (37 percent), 54 upper-income CTs (26 percent), and three CTs listed as no income (one percent). Per the 2010 Census data, the population of the AA is 961,289, with six percent of the population living in low-income, 20 percent in moderate-income, 37 percent in middle-income, 36 percent in upper-income CTs, and one percent in tracts with income listed as non-applicable. Sixty-five percent of the housing units in the AA are owner-occupied, with three percent located in low-income geographies, 17 percent located in moderate-income geographies, and the remainder in middle- and upper-income tracts. Eleven percent of the households in the AA live below the poverty level, 25 percent receive social security benefits, and three percent receive public assistance. The median housing value is \$159,024; the average median age of housing is 43 years. The weighted average monthly gross rent is \$742.

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 was \$71,100 for 2014 and \$72,400 for 2015. Approximately 20 percent of the families in the AA are low-income and 17 percent are moderate-income.

According to Ohio Labor Market Information as of February 2016, the not seasonally adjusted unemployment rate for the state of Ohio is 5.6 percent and 5.2 percent nationally. Unemployment rates for the counties in the AA are all below both the state and national unemployment rates: Warren County 4.6 percent, Butler County 4.9 percent, Clermont County 5.0 percent, and Hamilton County 4.7 percent. Total deposits from the AA equaled approximately 62 percent of the bank's total deposits as of June 30, 2015.

The local economy is stable and has lower unemployment rates than the state and national levels. The AA has a diverse mix of national and international companies across many industries from manufacturing to service industries. Several major employers in the AA include Procter & Gamble Co., General Electric Co., Miami University, AK Steel, Cintas Corp., Cincinnati Financial Corporation, and Duke Energy.

Warren County consists of 33 CTs comprised of no low-income CTs, five moderate-income CTs, 13 middle-income CTs, 14 upper-income CTs, and one CT with no income listed. LCNB has two branches located in a moderate-income CT and ten branches in middle- and upper-income CTs in this county. In addition, the four stand-alone ATMs are also located in Warren County in middle- and upper-income CTs.

Butler County consists of 80 CTs comprised of seven low-income CTs, 23 moderate-income CTs, 29 middle-income CTs, 19 upper-income CTs, and two CTs with no income listed. LCNB has two branches located in a moderate-income CT and three branches in middle- and upper-income CTs in this county.

Clermont County consists of six CTs comprised of no low-income, two moderate-income, one middle-income, and three upper-income CTs. LCNB has one branch located in a middle-income CT in this county.

Hamilton County consists of 88 CTs comprised of 16 low-income, 21 moderate-income, 33 middle-income, and 18 upper-income CTs. LCNB has two branches located in middle- and upper-income CTs in this county.

Dayton MSA AA

The Dayton MSA AA is located in the Dayton, OH MSA 19380. In 2014, this AA included the southeastern corner of Montgomery County. This AA consisted of 58 CTs, comprised of four low-income (7 percent), seven moderate-income (12 percent), 28 middle-income (48 percent), and 19 upper-income (33 percent) CTs. Per the 2010 U.S. Census data, the population of the AA was 194,448, with six percent of the population living in low-income, 13 percent in moderate-income, 43 percent in middle-income, and 38 percent in upper-income CTs. Sixty-one percent of the housing units are owner-occupied, with three percent located in low-income, 11 percent in moderate-income, and the remainder in middle- and upper-income CTs. Eleven percent of the households in the AA are living below the poverty level, 29 percent receive social security benefits, and two percent receive public assistance. The median housing value is \$145,931; the average median age of housing is 53 years. The weighted average monthly gross rent is \$719. Approximately 17 percent of the families in the AA are low-income and 15 percent are moderate-income.

In 2015, LCNB acquired Brookville National Bank and expanded the AA to include Montgomery County in its entirety. This AA is contiguous to the other AAs, consists of whole CTs, does not arbitrarily exclude any low- or moderate-income CTs, and meets the requirements of the regulation. Deposits from this AA approximate 12 percent of total deposits as of June 30, 2015. LCNB has four offices in the Dayton MSA AA, all located in middle- and upper-income CTs.

As of 2015, there are 153 CTs in Montgomery County, comprised of 20 low-income CTs (13 percent), 40 moderate-income CTs (26 percent), 63 middle-income CTs (41 percent), 29 upper-income CTs (19 percent), and one CT with no income reported (one percent). Per the 2010 U.S. Census data, the population of the AA is 535,153 with 11 percent of the population living in low-income, 24 percent in moderate-income, 43 percent in middle-income, and 22 percent in upper-income CTs. Fifty-seven percent of the housing units are owner-occupied, with seven percent located in low-income, 21 percent in moderate-income, and the remainder in middle- and upper-income CTs. Fifteen percent of the households in the AA are living below the poverty level, 29 percent receive social security benefits, and four percent receive public assistance. The median housing value is \$120,149; the average median age of housing is 53 years. The weighted average monthly gross rent is \$678.

According to the 2010 U.S. Census data and FFIEC Census information, the Dayton MSA median family income is \$60,009. The FFIEC estimate of the Dayton MSA median family income was \$60,500 for 2014 and \$62,100 for 2015. Approximately 23 percent of the families in the AA are low-income and 19 percent are moderate-income.

The economy in Montgomery County continues to improve. According to Ohio Labor Market Information as of February 2016, the not seasonally adjusted unemployment rate for the state of Ohio is 5.6 percent and 5.2 percent nationally. The unemployment rate for Montgomery County was 5.4 percent for the same time period, in line with the state and national levels. Montgomery County is diverse with major industries including manufacturing, trade/transportation/utilities, professional and business services, education and health services, financial services, and leisure and hospitality. Major employers include Wright Patterson Air Force Base, University of Dayton, Premier Health Partners, Kettering Health Network, Reed Elsevier/LexisNexis, GE Capital, PNC Financial Services Group, AES Corp/Dayton Power & Light, and Behr Dayton Thermal Products LLC.

Non-MSA AA

The Non-MSA AA includes all of Clinton, Ross, Fayette, and Preble Counties. The AA consists of 45 CTs comprised of six moderate-income CTs (13 percent), 33 middle-income CTs (74 percent), and six upper-income (13 percent) CTs. Deposits from the AA approximate 26 percent of total deposits as of June 30, 2015. LCNB has 12 branches located in the Non-MSA AA: five in Preble County, five in Ross County, one in Clinton County, and one in Fayette County. Two of the offices in Ross County are in moderate-income CTs.

Per the 2010 U.S. Census data, the population of the AA is 191,404, with 12 percent of the population living in moderate-income CTs, 76 percent in middle-income CTs, and 12 percent in upper-income CTs. Sixty-five percent of the housing units are owner-occupied, with seven percent located in moderate-income, 79 percent in middle-income, and 14 percent in upper-income CTs. Fourteen percent of the households in the AA are living below the poverty level, 30 percent receive social security benefits, and three percent receive public assistance. The median housing value is \$117,710; the average median age of housing is 47 years. The weighted average monthly gross rent is \$645.

According to the 2010 U.S. Census data and FFIEC Census information, the Ohio statewide Non-MSA median family income is \$52,573. The FFIEC estimate of the Non-MSA median family income was \$55,700 for 2014 and \$56,900 for 2015. Approximately 19 percent of the families in the AA are low-income and 19 percent are moderate-income.

The local economy continues to improve. According to Ohio Labor Market Information as of February 2016, the not seasonally adjusted unemployment rate for the state of Ohio is 5.6 percent and 5.2 percent nationally. Unemployment rates for the counties in the AA are: Preble County 5.7 percent, Clinton County 6.9 percent, Fayette County 5.6 percent, and Ross County 6.8 percent. Ross and Clinton counties are higher than the state and national levels, but Fayette and Preble counties are more in line with the state level. Total deposits from the AA equaled approximately 26 percent of the bank's total deposits as of June 30, 2015. Clinton County has a diverse corporate landscape with industries in transportation, manufacturing, as well as education and health services. Major employers include Ahresty Wilmington Corp., R & L Carriers, Showa Corporation/American Showa, Henny Penny Corp., PACCAR/Kenworth Truck Co., McKesson Corp., retail stores, and the local schools.

Conclusions with Respect to Performance Tests

LENDING TEST

LCNB's lending performance is satisfactory.

Loan-to-Deposit Ratio

LCNB's LTD ratio is reasonable. LCNB's average LTD ratio for the 14 quarters since the last CRA evaluation of 69.34 percent is reasonable. As of December 31, 2015, LCNB's LTD ratio was 70.6 percent. A review of 34 financial institutions located within LCNB's AAs revealed a range of average LTD ratios from 54 percent to 124 percent, with an overall average of 89.4 percent. The LTD ratios show moderate dispersion, as a range of 73 to 106 percent contains approximately 68 percent of the observations. LCNB's average LTD ratio ranked 33rd out of the 35 financial institutions in the AA. Since the prior evaluation, the bank's LTD ratio ranged from a low of 65 percent and a high of 73 percent.

Lending in Assessment Area

A substantial majority of LCNB's lending activity occurs inside the bank's three AAs. We evaluated the bank's record of lending within its three AAs. Our analysis of the bank's lending included residential real estate loans and business loans as these are the bank's primary products. Our review revealed that from 2014 to 2015, a substantial majority or 85 percent of the number of all residential real estate and business loans were originated within the bank's AAs. Table 2 below details the bank's lending within the AA.

Table 2 - Lending in the AAs										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	237	83%	50	17%	287	\$31,360	78%	\$9,067	22%	\$40,427
Home Refinance	386	88%	53	12%	439	\$53,966	81%	\$12,984	19%	\$66,950
Home Improvement	198	92%	17	8%	215	\$9,133	91%	\$956	9%	\$10,089
Business Loans	617	82%	140	18%	757	\$99,831	75%	\$32,718	25%	\$132,549
Totals	1,438	85%	260	15%	1,698	\$194,290	78%	\$55,725	22%	\$250,015

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

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

LCNB’s lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.

Cincinnati MSA AA

LCNB’s record of lending to borrowers of different income levels and businesses of different sizes within the Cincinnati MSA AA is reasonable and reflects satisfactory performance.

The bank’s distribution of residential real estate loans in the Cincinnati MSA AA reflects reasonable penetration among borrowers of different income levels and supports satisfactory performance. Based upon an analysis of home loans originated during the evaluation period compared to the 2010 U.S. Census demographics, LCNB’s percentage of home loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA for home purchase and refinance loans, which represents poor performance. However, the percentage of home improvement loans originated to low-income borrowers is reasonable. The percentage of home improvement and refinance loans to moderate-income borrowers is excellent as the ratio meets or exceeds the demographic comparator. Refer to Table 3 below for specific details. A factor which may contribute to the lower penetration to low-income borrowers is that eleven percent of the households in the AA live below the poverty level. In addition, these households may experience difficulty meeting the credit underwriting standards for home mortgage loans.

Table 3 – Borrower Distribution of Residential Real Estate Loans in the Cincinnati 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	20%	10%	17%	10%	21%	33%	42%	47%
Home Refinance		13%		17%		26%		44%
Home Improvement		19%		21%		24%		36%

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.

LCNB’s penetration of small loans to businesses in the Cincinnati MSA AA is reasonable. The review of loan data for the evaluation period revealed that the bank made 71 percent (by number) of their business loans to businesses with annual gross revenues of less than \$1 million, which is in line with the demographic comparator of 72 percent of businesses in the AA of similar size for 2014. See Table 4 for details.

Table 4 – 2014 Borrower Distribution of Loans to Businesses in the Cincinnati MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72%	5%	23%	100%
% of Bank Loans in AA by #	71%	28%	1%	100%
% of Bank Loans in AA by \$	60%	40%	0%	100%

Source: CRA small business data from January 1, 2014 through December 31, 2014 and Dunn and Bradstreet.

For 2015, LCNB made 73 percent (by number) of their business loans to businesses with annual gross revenues of less than \$1 million, which is less than the demographic comparator of 79 percent of businesses in the AA of similar size, but reasonable. See Table 5 for details.

Table 5 – 2015 Borrower Distribution of Loans to Businesses in the Cincinnati MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79%	5%	16%	100%
% of Bank Loans in AA by #	73%	27%	0%	100%
% of Bank Loans in AA by \$	64%	36%	0%	100%

Source: CRA small business data from January 1, 2015 through December 31, 2015 and Dunn and Bradstreet.

Dayton MSA AA (Limited Scope Review AA)

LCNB's record of lending to borrowers of different income levels and businesses of different sizes within the Dayton MSA AA reflects poor penetration.

The bank's overall distribution of residential real estate loans in the Dayton MSA AA is very poor. LCNB did not originate any home loans to low- and moderate-income borrowers in 2014 and only originated two loans to low-income borrowers and six to moderate-income borrowers in 2015 in the Dayton MSA AA. For 2014, the borrower penetration to low- and moderate-income borrowers is very poor at 0 percent originated. For 2015, the bank originated four percent of total home loans to low-income borrowers (compared to 23 percent) and 15 percent of total home loans to moderate-income borrowers (compared to the 19 percent). Given no penetration in 2014 to low- and moderate-income borrowers and very poor penetration to low-income borrowers in 2015, overall penetration is very poor. A factor contributing to the lower penetration to low-income borrowers is that 11 percent for 2014 and 15 percent for 2015 of the households in the AA live below the poverty level and may not meet the credit underwriting standards for home mortgage loans. Additionally, the bank expanded to the entire county in 2015 with the Brookville National Bank acquisition and is working to expand their presence in this AA. See Tables 6 and 7 for specific details on each loan type.

Table 6 – 2014 Borrower Distribution of Residential Real Estate Loans in the Dayton 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%	0%	15%	0%	21%	0%	47%	100%
Home Refinance		0%		0%		20%		80%
Home Improvement		0%		0%		0%		0%

Source: HMDA loans originated from January 1, 2014 through December 31, 2014; 2010 U.S. Census data, updated as of 2014. The above numbers are as a percentage of loans with borrower income information available.

Table 7 – 2015 Borrower Distribution of Residential Real Estate Loans in the Dayton 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	23%	0%	19%	18%	20%	18%	38%	64%
Home Refinance		0%		8%		17%		75%
Home Improvement		14%		21%		36%		29%

Source: HMDA loans originated from January 1, 2015 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.

LCNB’s distribution for small loans to businesses in the Dayton MSA AA is reasonable. For 2014, the review of loan data for the evaluation period revealed that 71 percent of loans originated in this AA were to businesses with gross revenues of \$1 million or less, which is slightly higher than 70 percent of AA businesses, representing excellent performance. See Table 8 for details.

Table 8 – 2014 Borrower Distribution of Loans to Businesses in the Dayton MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70%	6%	24%	100%
% of Bank Loans in AA by #	71%	29%	0%	100%
% of Bank Loans in AA by \$	60%	40%	0%	100%

Source: CRA small business data from January 1, 2014 through December 31, 2014 and Dunn and Bradstreet.

For 2015, the review revealed that 67 percent of loans originated in this AA were to businesses with revenues of \$1 million or less, which is less than the 77 percent of AA businesses. This represents reasonable penetration. See Table 9 for details.

Table 9 – 2015 Borrower Distribution of Loans to Businesses in the Dayton MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77%	6%	17%	100%
% of Bank Loans in AA by #	67%	32%	1%	100%
% of Bank Loans in AA by \$	66%	33%	1%	100%

Source: CRA small business data from January 1, 2015 through December 31, 2015 and Dunn and Bradstreet.

Non-MSA AA (Limited Scope Review AA)

The bank's performance in lending to borrowers of different income levels and businesses of different sizes in the Non-MSA AA reflects reasonable penetration and supports satisfactory performance.

The bank originated five percent of their home purchase, six percent of refinance, and 14 percent of home improvement loans to low-income borrowers compared to 19 percent of AA families that are low-income. This represents poor penetration to low-income borrowers. However, LCNB originated 22 percent of their home purchase and 26 percent of home improvement loans to moderate-income borrowers compared to 19 percent of AA families that are moderate-income. This represents excellent penetration as the ratio for home purchase and home improvement exceed the demographic data. The bank only originated 12 percent of home refinance loans to moderate-income borrowers, which is poor when compared to the demographic data of 19 percent. A contributing factor to the low penetration to low-income borrowers is that 14 percent of the households in the AA live below the poverty level and may not meet the credit underwriting standards for home mortgage loans. In addition, 25 percent of the occupied units are occupied rental units, which suggest a large portion of the population is opting to rent instead of purchasing a home. See Table 10 for details.

Table 10 – Borrower Distribution of Residential Real Estate Loans in the Non-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	19%	5%	19%	22%	22%	17%	40%	56%
Home Refinance		6%		12%		25%		57%
Home Improvement		14%		26%		19%		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.

LCNB’s penetration of small loans to businesses in the Non-MSA AA is reasonable, overall. In 2014, the review of loan data for the evaluation period revealed that the bank made 57 percent by number of their business loans to businesses with annual gross revenues of less than \$1 million compared to 71 percent of AA businesses, which is lower than the demographic data. For 2015, the bank made 54 percent by number of their business loans to businesses with annual gross revenues of less than \$1 million compared to 77 percent of AA businesses, which is significantly lower than the demographic data. See Tables 11 and 12 for details.

Table 11 – 2014 Borrower Distribution of Loans to Businesses in the Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71%	4%	25%	100%
% of Bank Loans in AA by #	57%	43%	0%	100%
% of Bank Loans in AA by \$	39%	61%	0%	100%

Source: CRA small business data from January 1, 2014 through December 31, 2014, and Dunn and Bradstreet.

Table 12 – 2015 Borrower Distribution of Loans to Businesses in the Non-MSA AA				
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 #	54%	45%	1%	100%
% of Bank Loans in AA by \$	32%	67%	1%	100%

Source: CRA small business data from January 1, 2015 through December 31, 2015, and Dunn and Bradstreet.

Geographic Distribution of Loans

LCNB's geographic distribution of loans reflects reasonable dispersion to the low- and moderate-income census tracts within the AA.

Cincinnati MSA AA

Lending to geographies of different income levels in the Cincinnati MSA AA reflects reasonable dispersion. The majority of the bank's lending and deposit activity occurs in this AA.

The geographic distribution of home loans reflects reasonable dispersion. During the evaluation period, LCNB originated two home loans, or one percent, in low-income geographies in the Cincinnati MSA AA. This is near the ratio of owner occupied housing units in the AA of three percent, which reflects reasonable dispersion. The bank's geographic distribution for home loans in moderate-income geographies is reasonable when compared to the demographic comparator of 17 percent; 15 percent home purchase loans, six percent refinances, and 12 percent home improvement loans originated during the evaluation period. Refer to Table 13 below for specific details on the geographic distribution to low- and moderate-income CTs for home purchase, refinance, and home improvement loans. The levels are lower than the demographic data for owner-occupied housing, but overall reasonable. Of note, 26 percent of the occupied units in the AA are occupied rental units, which suggest a portion of the population is opting to rent instead of purchasing a home. LCNB advertises their products and services to all areas, including the low- and moderate-income areas. Competition for loans in this AA is strong.

Table 13 – Geographic Distribution of Residential Real Estate Loans in the Cincinnati 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	3%	1%	17%	15%	40%	42%	40%	42%
Home Refinance		0%		6%		50%		44%
Home Improvement		0%		12%		58%		30%

Source: HMDA loans originated from January 1, 2014 through December 31, 2015; 2010 U.S. Census data, updated as of 2015.

The geographic distribution of small loans to businesses in the Cincinnati MSA AA is reasonable. The bank's percentage of small loans to businesses in low-income geographies (2 percent) is lower than the percentage of businesses in those geographies (5 percent). The bank's percentage of small loans to businesses in moderate-income geographies (17 percent) is near the percentage of businesses in moderate-income geographies (20 percent). Although the bank's percentage of small loans to businesses is less than the demographics of the area, the overall dispersion is reasonable given the range of performance is just lower than to near the ratio. See Table 14 for details.

Table 14 – Geographic Distribution of Loans to Businesses in the Cincinnati MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	5%	2%	20%	17%	36%	47%	39%	34%

Source: CRA small business data from January 1, 2014 through December 31, 2015 and Dunn and Bradstreet.

Dayton MSA AA (Limited Scope Review AA)

Lending to geographies of different income levels in the Dayton MSA AA reflects poor dispersion.

The geographic distribution of home loans in the Dayton MSA AA reflects poor dispersion. In 2014, the Dayton MSA AA only included part of the Montgomery County. In 2015, the bank adjusted the Dayton MSA AA to include all of Montgomery County due to the Brookville National Bank acquisition. During the evaluation period, LCNB did not originate any home loans in low- or moderate-income CTs in 2014 and only originated three home loans in moderate-income CTs in 2015. LCNB originated seven percent of home purchase, five percent of refinance, and seven percent of home improvement loans in moderate-income CTs in 2015 compared to 21 percent of the owner occupied housing units in the AA. As outlined in Tables 15 and 16 below, the bank's geographic dispersion in the Dayton MSA AA is significantly lower than the level of owner-occupied housing in the AA and does not meet the standards.

A majority of the low- and moderate-income CTs in Montgomery County are located in the central part of the county near Dayton, Ohio. During the evaluation period, LCNB originated very few loans in these areas which contributed to the poor geographic dispersion. The bank adjusted its AA in 2015 with the Brookville National Bank acquisition and continues to work to expand their presence in this area.

Table 15 – 2014 Geographic Distribution of Residential Real Estate Loans in the Dayton 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	3%	0%	11%	0%	43%	0%	43%	100%
Home Refinance		0%		0%		60%		40%
Home Improvement		0%		0%		0%		0%

Source: HMDA loans originated from January 1, 2014 through December 31, 2014; 2010 U.S. Census data, updated as of 2014.

Table 16 – 2015 Geographic Distribution of Residential Real Estate Loans in the Dayton 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	7%	0%	21%	7%	46%	72%	26%	21%
Home Refinance		0%		5%		62%		33%
Home Improvement		0%		7%		86%		7%

Source: HMDA loans originated from January 1, 2015 through December 31, 2015; 2010 U.S. Census data, updated as of 2015.

The geographic distribution of small loans to businesses in the Dayton MSA AA reflects poor dispersion. In 2014, the bank did not originate any small loans to businesses in the Dayton MSA AA's low-income geographies during the evaluation period. Additionally, the bank's level of lending to small businesses in moderate-income CTs (five percent) is significantly lower than the percentage of AA businesses (12 percent). Refer to Table 17 below for details.

Table 17 – 2014 Geographic Distribution of Loans to Businesses in the Dayton 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	5%	0%	12%	5%	38%	28%	45%	67%

Source: CRA small business data from January 1, 2014 through December 31, 2014 and Dunn and Bradstreet.

In 2015, LCNB’s level of lending in low- and moderate-income CTs is significantly lower than the level of AA businesses. Refer to Table 18 below for details.

Table 18 – 2015 Geographic Distribution of Loans to Businesses in the Dayton 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	10%	4%	20%	13%	44%	57%	26%	26%

Source: CRA small business data from January 1, 2015 through December 31, 2015 and Dunn and Bradstreet.

Non-MSA AA (Limited Scope Review AA)

Lending to geographies of different income levels in the Non-MSA AA reflects reasonable dispersion.

LCNB originated six percent of their total home loans in moderate-income CTs, which is reasonable, compared to the seven percent of owner-occupied units in the AA. See Table 19 for details on each loan product. There are no low-income CTs in the AA.

Table 19 – Geographic Distribution of Residential Real Estate Loans in the Non- MSA AA						
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	7%	5%	79%	76%	14%	19%
Home Refinance		5%		80%		15%
Home Improvement		7%		81%		12%

Source: HMDA loans originated from January 1, 2014 through December 31, 2015; 2010 U.S. Census data.

The geographic distribution of small loans to businesses in the Non-MSA AA reflects excellent dispersion. The bank’s percentage of small loans to businesses in moderate-income geographies equals the percentage of businesses in moderate-income geographies for 2014 and exceeds the ratio for 2015. See Tables 20 and 21 for details.

Table 20 – 2014 Geographic Distribution of Loans to Businesses in the Non-MSA AA

Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% Number of Loans	% of AA Businesses	% Number of Loans	% of AA Businesses	% Number of Loans
Business Loans	16%	16%	72%	78%	12%	6%

Source: CRA small business data from January 1, 2014 through December 31, 2014 and Dunn and Bradstreet.

Table 21 – 2015 Geographic Distribution of Loans to Businesses in the Non-MSA AA

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	17%	22%	71%	72%	12%	6%

Source: CRA small business data from January 1, 2015 through December 31, 2015 and Dunn and Bradstreet.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

LCNB's community development performance demonstrates excellent responsiveness to CD needs of the AAs through CD lending, investments, and services, which are reflective of outstanding performance. Performance in the Cincinnati MSA and Non-MSA AAs is excellent, and the performance in the Dayton MSA AA is adequate.

Number and Amount of Community Development Loans

LCNB's responsiveness to CD lending is excellent and reflects outstanding performance. During this evaluation period, the bank made a total 13 CD loans to different organizations in their AAs.

Cincinnati MSA AA

LCNB's responsiveness to CD lending needs in the Cincinnati MSA AA is excellent. Throughout the evaluation period, the bank originated nine eligible CD loans totaling \$7.8 million within this AA. LCNB made seven loans to provide affordable housing, totaling \$3.3 million. LCNB originated one loan for \$488 thousand to a physician's office located in a moderate-income CT, which provides CD services targeted to low- and moderate-income individuals. In addition, LCNB made a \$4 million loan to a company

in a moderate-income CT to revitalize a retail building into office space. This conversion brought in a large anchor tenant who created over 700 jobs.

Dayton MSA AA

LCNB's responsiveness to CD lending needs in the Dayton MSA AA is adequate. LCNB made two CD loans in the Dayton MSA AA to facilitate affordable housing during the review period in the amount of \$195 thousand.

Non- MSA AA

LCNB's responsiveness to CD lending needs in the Non-MSA AA is adequate, with the origination of two CD loans totaling \$1.2 million. One loan, in the amount of \$597 thousand was facilitated through the Solomon Hess Community Development fund to fund a loan to a local dentist. The other loan, in the amount of \$616 thousand, funded a local physician's practice in Ross County. Both medical practitioners provide CD services to their surrounding communities.

Number and Amount of Qualified Investments

LCNB's qualified investment activity is excellent. Total qualified investments within the bank's AAs equal \$6.9 million. The bank previously received credit for five mortgage-backed securities (MBS), which remain in the bank's investment portfolio at a book value of \$1.9 million. The bank also previously received credit for an investment in a CRA qualified fund, CRAIX. The bank has \$1.1 million in qualified, earmarked investments in this fund. During the evaluation period, the bank made three additional CRA qualified investment purchases. Two were additional MBS purchases, with a cost of over \$2.9 million. The new MBSs contained mortgages primarily in the bank's AAs. The other qualified investment was a \$1 million commitment to invest in an Ohio Capital Corporation for Housing Fund, Ohio Equity Fund for Housing XXV. The primary investment strategy of the fund is to invest in affordable housing projects targeted to low- and moderate-income households and to revitalize or stabilize low- and moderate-income areas, both within Ohio. Since the fund's geographical focus is Ohio, which includes all three of the bank's AAs, the entire investment qualifies for CRA credit.

Cincinnati MSA AA

LCNB's investment activity in the Cincinnati MSA AA is excellent. The bank made 27 donations to approximately 15 different organizations totaling \$41,300 in the Cincinnati MSA AA during the evaluation period. The donations were to various organizations that provide CD services to low- and moderate-income individuals in Butler, Clermont, Hamilton, and Warren counties. Some of the organizations include the Atrium Medical Center Foundation, United Way, Junior Achievement, Neighborhood Housing Services of Hamilton Inc., Lions Club, Greater Cincinnati SCORE, Child Advocacy Center of Warren County, YMCA, and various food pantries.

Dayton MSA AA

LCNB's investment activity in the Dayton MSA AA is adequate. The bank made seven donations to four organizations totaling \$25,500 in this AA. The bank's donations provided scholarships to the Sinclair Community College Foundation and contributions of \$15,000 to the Levin Family Foundation to support health fairs for low- and moderate-

income individuals in Montgomery County. In addition, LCNB made donations to the Antioch Shrine Foundation and United Way, which provide CD services to low- and moderate-income individuals.

Non-MSA AA

LCNB's investment activity in the Non-MSA AA is excellent. The bank made 26 donations to 16 organizations in Clinton, Fayette, Preble, and Ross counties totaling \$71,000. The donations benefited various organizations that provide CD services including United Way, Jacob's Ladder of Preble County, Preble County Council on Aging, Preble County Development Partnership, Preble County Habitat for Humanity, Adena Health Foundation, and Economic Development Alliance of Southwestern Ohio, and other organizations. These organizations all provide CD services or economic development for their surrounding areas.

Extent to Which the Bank Provides Community Development Services

CD services provided by the bank represent excellent responsiveness to CD needs and demonstrate outstanding performance.

Bank personnel provide technical assistance and financial expertise throughout their AAs. Bank employees volunteer their time and financial expertise for financial literacy programs, specifically the EverFi Literacy Program at Twin Valley South High School. LCNB provides Real Money Real World financial literacy programs in other schools; however, they are not primarily serving low- and moderate-income individuals in these schools. Additionally, LCNB allows many students to tour the bank. LCNB's America's Promise program, called Little Red Wagon program, collects nonperishable food items, school supplies, and other items for low- and moderate-income individuals and families in the AAs.

The bank offers various services to meet the needs of low- to moderate-income families throughout its branch network, including free checking accounts, as well as the Interest on Lawyers Trust Account program (IOLTA), which generates funds used to support civil legal aid for individuals or families living in poverty. The bank continues to originate loans in amounts of less than \$1,000, which has been identified in the past as a credit need for low-to moderate-income individuals within its AA.

LCNB currently has two customers enrolled in the Home Affordable Refinance Program (HARP), which assists customers in obtaining a new, more affordable, more stable mortgage. LCNB also has two customers enrolled in the Home Affordable Modification Program (HAMP), which assists customers who are employed but are struggling to meet monthly mortgage payments.

Cincinnati MSA AA

LCNB's responsiveness to CD needs in the Cincinnati MSA AA through CD services is excellent. LCNB's delivery systems are accessible to geographies and individuals throughout the AA. No branches have been closed in low- and moderate-income geographies. Based on the 2010 Census data, LCNB has four branches located in moderate-income tracts.

At least 15 bank officers and employees provide CD services to more than 18 organizations. The officers and employees serve on boards and in other roles at numerous CD organizations providing financial and technical expertise. Chairman of the Board Steve Wilson serves on the Board at the Warren County Foundation. The role of the foundation is to administer public funds to charities including those which benefit low- and moderate-income individuals and geographies. In addition, multiple other LCNB employees provide CD services to organizations including the Warren County Metropolitan Housing Authority, Hamilton County Development Company, United Way, Warren County Community Services, LifeSpan, and many other organizations that provide CD services to low- and moderate-income individuals or economic development.

Dayton MSA AA

LCNB's responsiveness to CD needs in the Dayton MSA AA through CD services is adequate. There are four branches located in the Dayton MSA AA, all of which are located in middle- and upper-income CTs.

At least five bank officers and employees provide CD services to more than seven organizations. They serve on boards or in other roles at many CD organizations. A loan officer is a committee member for Citywide Development Corporation, providing economic and CD support in Dayton, Ohio. A trust department officer serves on a committee for Sinclair Community College, providing services to low- and moderate-income individuals, including scholarship funds.

Non-MSA AA

LCNB's responsiveness to CD needs in the Non-MSA MSA AA through CD services is excellent. Based the 2010 Census data, LCNB has two branches located in moderate-income tracts.

At least four bank officers and employees provide CD services to more than five organizations. They serve on boards and in other roles at many CD organizations. A branch manager serves as a financial mentor for Habitat for Humanity, a loan officer provides expertise to the Preble County Development Partnership, and a loan officer provides expertise as a board member for the Economic Development Alliance of Southern Ohio. In addition, other employees serve on boards or provide financial expertise to United Way and affordable housing/health care facilities. LCNB acts as the "sponsor bank" or conduit between the H.I.T. Foundation (Home is the Foundation – 501(c)(3) organization) in Preble County and the Federal Home Loan Bank (FHLB). The H.I.T. Foundation provides grants to individuals through the FHLB to assist low- and moderate-income individuals with funds to repair and renovate their homes. In 2014, the bank assisted the H.I.T. Foundation with 6 projects totaling \$37,000, and in 2015, LCNB assisted with 11 projects totaling \$75,000.

Responsiveness to Community Development Needs

LCNB demonstrates excellent responsiveness to the CD needs of the communities it serves through CD lending, investments, and services. This is driven by the bank's level of CD loans in the Cincinnati MSA AA, level of qualified CRA investments, and numerous CD services to low- and moderate-income individuals and families provided by many bank officers and employees.

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.