



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 21, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LCNB National Bank
Charter Number: 2360

2 North Broadway
Lebanon, Ohio 45036

Office of the Comptroller of the Currency

Central Ohio Field Office
4555 Lake Forest Drive, Suite 610
Cincinnati, Ohio 45242

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 incomes and businesses of different sizes reflects excellent penetration.
- A substantial majority of the bank's lending activity occurs within its AAs.
- Responsiveness to the community development needs through products, investments and services is outstanding.
- LCNB National Bank's (LCNB) loan-to-deposit ratio is reasonable.
- LCNB's geographic distribution of loans reflects reasonable dispersion.

Scope of Examination

This review of LCNB was conducted using intermediate small bank examination procedures to evaluate the bank's Lending Test and Community Development (CD) Test performance under the Community Reinvestment Act (CRA). The prior CRA examination was dated October 4, 2004, and the current review began July 21, 2008. The Lending Test includes loans originated during 2006, 2007 and year-to-date July 15, 2008. A data integrity examination of the bank's home loans as reported via the Home Mortgage Disclosure Act Loan Applications Registers (HMDA LARs) and small business and small farm CRA loan data was performed August 2007, to determine the accuracy of the bank's data. No deficiencies were noted. For each assessment area (AA), we conducted separate analyses, based upon the availability of census and loan data. We utilized 2000 census data to analyze performance.

The evaluation period for the CD Test is 2006, 2007 and year-to-date July 15, 2008. CD Test performance includes an evaluation of the following criteria: 1) number and amount of CD loans; 2) number and amount of qualified investments; 3) extent to which the bank provides CD services; and 4) the bank's responsiveness through such activities to CD lending, investment and services needs.

LCNB has designated three assessment areas (AAs), as detailed under the **Description of Assessment Areas** section. For analysis purposes, we conducted a full scope review of the Cincinnati AA, and limited scope reviews of the Dayton and Clinton County AAs. The Cincinnati AA is the bank's primary business area. The Cincinnati AA is responsible for 91.45% of loans generated from within the bank's AAs, as well as 97.07% of deposits. In addition, the main office and 22 of the bank's 24 branches are located in the Cincinnati AA. Based upon these factors, only the Cincinnati AA was selected for a full-scope review.

Description of Institution

LCNB is an intrastate community bank, based in Lebanon, Ohio. The main office is located in Warren County, approximately 30 miles north of Cincinnati. As of June 30, 2008, LCNB reported total assets of \$635 million and Tier 1 capital of \$51 million, or 8.03% of total assets.

LCNB is a wholly owned subsidiary of LCNB Corp., a one-bank financial services holding company, also based in Lebanon. Dakin Insurance Agency Inc., also located in Lebanon, is an affiliate of the bank. The results of our review did not indicate that the activities of the bank's affiliate impact the bank's capacity and ability to lend or invest in its community. Therefore, the activities of Dakin Insurance Agency Inc. were not included in our assessment of LCNB's CRA performance.

LCNB is a full-service lender with loan and deposit products including conventional home mortgage loans, consumer loans, business loans, savings accounts and trust services. As of June 30, 2008, the bank's loan portfolio totaled \$443 million, representing 70% of total assets. As illustrated in Table 1 below, the bank's primary lending products are commercial, residential real estate and consumer loans.

Loan Type	\$000's	% by \$	# of Loans	% by #
Home Loans	175,421	31.13%	2,147	19.81%
Consumer Loans	82,374	14.62%	7,241	66.82%
Commercial Loans	299,518	53.15%	1,360	12.55%
Agricultural Loans	6,191	1.10%	89	0.82%
Total	563,504	100.00%	10,837	100.00%

Source: Bank's record of loans originated between October 1, 2004 and June 30, 2008.

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

LCNB has 24 full-service branches; all branches are located within the bank's Cincinnati, Dayton and Clinton County AAs. No branches are located in low-income census tracts (CTs), three are located in moderate-income CTs, 16 are located in middle-income CTs and five are located in upper-income CTs. Additionally, LCNB has 18 ATMs located at its various branches and seven stand-alone ATMs (one in a low-income CT, one in a moderate-income CT, three in middle-income CTs and two in upper-income CTs).

Since the last CRA examination in October 2004, LCNB has added six branches. The Bridgetown and Colerain offices were added in December 2007, via LCNB's acquisition of Sycamore National Bank. The Fairfield office was added in November 2004. The Lebanon High School office was added in February 2005. The Mason Christian Village office was added in September 2005. The Oakwood office was added in April 2007. In addition, the Loveland office changed locations in June 2005.

There are no known legal or economic impediments that restrict LCNB's ability to serve the community's credit needs. The bank's last CRA examination was conducted in October 2004, and resulted in an "Outstanding" rating. The bank's three AAs comply with requirements of the regulation. Please refer to the following section for a description of the AAs and the bank's CRA Public Fund File for additional information.

Description of Assessment Areas (AAs)

LCNB has designated three AAs, the Cincinnati AA, the Clinton County AA, and the Dayton AA. The AAs are contiguous, meet the requirements of the CRA, and do not arbitrarily exclude any low- or moderate-income areas. The AA with the largest volume is the Cincinnati AA (97.07% of the bank's total deposits and 91.17% of the bank's total loans). This is the largest AA geographically and contains 22 of the bank's 24 branches, including the bank's home office.

The **Cincinnati AA** is located in the Cincinnati-Middletown MSA 17140 and includes Warren County, Butler County, the north central portion of Clermont County and the northeast corner of Hamilton County. The AA consists of 113 CTs comprised of four low-income CTs (3.5%) all in Butler County, 26 moderate-income CTs (23%), 46 middle-income CTs (41%) and 35 upper-income (31%) CTs, with two CTs listed as no income (1.5%). Per the 2000 census data, the population of the AA is 542,145, with 2% living in low-income geographies, 19% living in moderate-income geographies, and the remainder living in middle- and upper-income geographies. Seventy-one percent of the housing units in the AA are owner-occupied, with 0.45% located in low-income geographies, and 15% located in moderate-income geographies. Seven percent of the households in the AA are living below the poverty level, 22% receive social security benefits, and two percent receive public assistance. The median housing value is \$128,801, and the median age of housing stock is 34 years. The weighted average monthly gross rent is \$588.

The U.S. Census estimated median family income based on 2000 data and updated in 2004, is \$54,771. The 2008 Department of Housing and Urban Development (HUD) estimated median family income for the AA is \$66,200. According to the Ohio Department of Job and Family Services, the seasonally adjusted unemployment rate for the state of Ohio is 6.6% (June 2008) and the national seasonally adjusted unemployment rate is 5.5%. Unemployment rates for the counties in the AA are all below the state's unemployment rate but greater than the national rate: Warren - 5.6%, Butler - 6.2%, Clermont - 5.9%, and Hamilton - 5.9%. Deposits from the AA equal 97.07% of the bank's total deposits and loans from the AA equal 91.17% of total loans.

The local economy is stable. According to the Warren County Office of Economic Development, Warren County is the second fastest growing county in the state. The AA has a diverse mix of national and international companies across many industries from manufacturing to service industries. Major employers in the AA are: Blackhawk Automotive Plastics, Duke Energy and AK Steel.

Warren County consists of 32 CTs comprised of no low-income CTs, five moderate-income CTs, 12 middle-income CTs, and 15 upper-income CTs. LCNB has 14 branches and 15 ATMs located in middle- and upper-income CTs; one branch with an ATM is located in a moderate-income CT.

Butler County consists of 72 CTs; four low-income, 21 moderate-income, 31 middle-income, and 16 upper-income. LCNB has five branches and seven ATMs in the county. Branches with ATMs are located in upper- (one), middle- (two), and moderate-income (two) CTs; one stand-alone ATM is located in a low-income census tract and one stand-alone ATM is located in a moderate-income CT.

The north central portion of Clermont County included in the AA consists of four CTs: one moderate-, two middle-, and one upper-income CTs. LCNB has one branch with an ATM located in Goshen, which is in a middle-income census tract.

The northeast corner of Hamilton County included in the AA consists of four CTs: one middle- and three upper-income CTs. LCNB has one branch with an ATM located in Loveland, which is in an upper-income CT.

The **Clinton County AA** includes all of Clinton County and consists of nine CTs. Per the 2000 U.S. Census data, the population of the AA is 40,543, and the estimated median family income, updated in 2004, is \$43,801. The HUD estimated median family income for 2008 equals \$51,600. Households that live below poverty level equal 9%. Deposits from the AA equal 2.68% of total deposits and loans equal 5.86% of total loans.

The local economy is slightly declining. The seasonally adjusted unemployment rate in Clinton County is 5.8% compared to the state average of 6.6%, and the overall national average of 5.5%. While the AA's unemployment average is lower than the state average, ongoing layoffs by DHL, which previously employed 8,000 people, have negatively impacted the AA. Clinton County has a diverse corporate landscape with industries from transportation and warehousing to high technology engineering and biomedical research. Major employers in the Clinton County AA include: Ahresty Wilmington Corp., Alkermes, Inc., R&L Transportation, Inc., Ferno-Washington, Inc., Nippon Seiki / New Sabina Industries, Showa Corporation / American Showa, Textron Co., Clinton Memorial Hospital, Wilmington City Board of Education and Wilmington College. The impending closure of DHL, Inc., another major employer in the AA, will have a significant impact on the AA. Clinton County lies at the heart of Ohio's "golden triangle," approximately 30 minutes from the metropolitan areas of Cincinnati, Dayton and Columbus. While the County is progressive and fast growing, it continues to have a strong agricultural base.

The Clinton County AA is comprised of eight middle-income (89%) and one upper-income (11%) CTs. The AA does not contain any low- or moderate-income CTs. Sixty-four percent of the housing units in the AA are owner-occupied. Nine percent of the households in the AA are living below the poverty level, 26% receive social security benefits, and two percent receive public assistance. The median housing value is \$96,725 median age of housing stock is 42 years, and the median monthly rental cost is \$494.

The Dayton AA is in the **Dayton MSA 19380** which includes all of Montgomery County and consists of 145 CTs comprised of 13 low-income (9%), 36 moderate-income (25%), 67 middle-income (46%), and 29 upper-income (20%) CTs. Per the 2000 U.S. Census data, the population of the AA is 559,062, and the estimated median family income, updated in 2004, is \$51,271. The HUD estimated median family income for 2008 equals \$59,800. Deposits from the AA equal 0.25% of the bank's total deposits, and loans from the AA equal 2.97% of total loans.

The economy in Montgomery County is struggling. The seasonally adjusted unemployment in Montgomery County is 7.2% compared to the seasonally adjusted state average of 6.6%, and the overall national average of 5.5%. In a Dayton Daily News (April 1, 2008) article, a common pleas judge noted that Montgomery County has the second highest foreclosure rate in the state and that foreclosures now make up half of the court's caseload. General Motors has historically been a major employer for the area. In the last few years, General Motors has drastically

reduced

its presence in the area and has laid-off a significant portion of its workforce, which has affected the economy. Major employers are: Behr Dayton Thermal Products LLC, Dayton City Board of Education, University of Dayton, Dayton Power & Light Co., General Motors Corp., Kettering Medial Center, NCR Corporation, Premier Health Partners, Inc., and Lexis/Nexis, Reynolds & Reynolds Co, Inc., and the U.S. Government.

Fifty-six percent of the housing units in the Dayton AA are owner-occupied, with 5% of the owner-occupied units located in the low-income CTs and 23% located in moderate-income CTs. Thirteen percent of the families in the AA are living below the poverty level. Twenty-six percent receive social security benefits while 3% receive some form of public assistance. The median housing value is \$96,988, the median age of housing stock is 46 years, and the weighted average monthly gross rent is \$508.

Two community contacts with a local community services organization and a local housing authority were conducted as part of this CRA examination. The individuals contacted were highly complimentary of LCNB's involvement in the local community as well as efforts in meeting the community's credit needs. Primary credit needs in the community are affordable housing, first-time homebuyer's programs and small business loans.

Conclusions with Respect to Performance Tests

LENDING TEST

LCNB's lending performance is outstanding.

Loan-to-Deposit Ratio

- LCNB's loan-to-deposit ratio is reasonable.

The average loan-to-deposit ratio for the 14 quarters since the last CRA examination of 77.09% is reasonable. A review of 18 peer institutions located within LCNB's AAs revealed a range of loan-to-deposit ratios from 55.38% to 323.03%, with an average of 91.37%. Excluding one significant outlier, and one bank with no loan-to-deposit ratio listed, the peer average over the 14 quarters for 16 peer institutions was 82.60%. LCNB's average loan-to-deposit ratio ranked 10th of the 16 peer banks for loan-to-deposit ratios.

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 AA's. Our analysis of the bank's lending included residential real estate loans (home purchase, refinancing, and home improvement), as well as business loans and agricultural loans. Our review revealed that between January 1, 2006 and July 16, 2008, 87.45% of the number of all residential real estate, business, and agricultural loans were originated within the bank's AAs. This level shows that a substantial majority of LCNB's lending activity occurs within the bank's three AAs (see Table 2 for detail).

Table 2 - Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	188	83%	38	17%	226	\$ 27,016	83%	\$ 5,392	17%	\$ 32,408
Home Refinance	302	87%	47	13%	349	\$ 30,266	88%	\$ 4,258	12%	\$ 34,524
Home Improvement	99	86%	16	14%	115	\$ 5,123	89%	\$ 615	11%	\$ 5,738
Business Loans	645	89%	81	11%	726	\$ 91,774	86%	\$14,701	14%	\$106,475
Farm Loans	76	93%	6	7%	82	\$ 6,832	98%	\$ 172	2%	\$ 7,004
Totals	1,310	87%	188	13%	1,498	\$161,011	87%	\$25,138	13%	\$186,149

Source: HMDA and CRA loans originated from January 1, 2006 through July 15, 2008.

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

- LCNB's record of lending to borrowers of different incomes and businesses exceeds the standard for reasonable performance and is considered excellent.
- A significant majority of the bank's lending activity occurs within the Cincinnati AA. With the exception of home improvement loans, the Cincinnati AA was responsible for over 90% of the loans originated. Therefore, more weight was given to the bank's performance in the Cincinnati AA than either the Clinton County or Dayton AAs.

Cincinnati AA

- LCNB's record of lending to borrowers of different incomes and to businesses and farms of different sizes within the Cincinnati AA is outstanding.

The distribution of home loans to low- and moderate-income borrowers is reasonable. LCNB's distribution of home purchase and home refinance loans in the Cincinnati AA reflects reasonable penetration among borrowers of different incomes. Based upon an analysis of home purchase and home refinance loans originated during the evaluation period compared to 2000 census demographics, LCNB's percentage of home purchase and home refinance loans to low-income borrowers is lower than the percentage of low-income families in the AA. However, the bank's record in the AA of home purchase and home refinance loan originations to moderate-income borrowers exceeds the percentage of moderate-income families. A factor which may contribute to the lower penetration to low-income borrowers is that 7% of the households in the AA live below the poverty level. LCNB's borrower distribution of home improvement loans in the Cincinnati MSA AA is excellent. LCNB's percentage of home improvement loans to low-income borrowers (32.14%) significantly exceeds the percentage of low-income families in the AA of (14.41%). Additionally, the distribution of home improvement loans to moderate-income borrowers (22.62%) exceeds the percentage of moderate-income families (17.63%). See Table 3 for details.

Table 3 – Borrower Distribution of Residential Real Estate Loans in the Cincinnati AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Total Number of Loans
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	14.41	10.76	17.63	22.78	22.93	21.52	45.03	44.94	168
Home Refinance	14.41	11.27	17.63	22.18	22.93	30.19	45.03	36.36	284
Home Improvement	14.41	32.14	17.63	22.62	22.93	23.81	45.03	21.43	84

Source: HMDA loans originated from January 1, 2006 through July 15, 2008; 2000 U.S. Census data, updated as of 2007.

LCNB's distribution for small loans to businesses in the Cincinnati AA exceeds the standard for satisfactory performance and is considered outstanding. Due to the large percentage of loans missing revenue data (26.82%), the loan amount was used as a proxy to evaluate the bank's record of small loans to businesses. Review of loan data for the evaluation period revealed that 64.04% of loans originated in the Cincinnati AA during the evaluation period were in amounts of \$100,000 or less. Typically, loans less than \$100,000 are made to businesses with revenues of \$1 million, or less, thus a correlation exists between the percentage of loans in amount of \$100,000 or less and the bank's performance under this criteria. See Table 4 for details.

Table 4 – Borrower Distribution of Loans to Businesses by Loan Size in the Cincinnati AA		
Less than or equal to \$100,000	64.04%	374
>\$100,000 to \$250,000	21.23%	124
>\$250,000 to \$1,000,000	14.73%	86
TOTAL	100.00%	584

Source: CRA Business Loans reported between January 1, 2006 through July 15, 2008.

LCNB's distribution of small loans to farms exceeds the standard for satisfactory performance. Due to the large percentage of loans missing revenue data (16%), the loan amount was used as a proxy to evaluate the bank's record of small loans to farms. The percentage of loans to farms in amounts of \$100,000 or less is 77.78%, which indicates a significant majority of the bank's loans in the Cincinnati AA were made to farms with revenues of \$1 million or less and reflects excellent performance for this lending criteria. See Table 5 for detail.

Table 5 – Borrower Distribution of Loans to Farms by Loan Size in the Cincinnati AA		
Less than or equal to \$100,000	77.78%	56
>\$100,000 to \$250,000	15.28%	11
>\$250,000 to \$1,000,000	6.94%	5
TOTAL	100.00%	72

Source: CRA Farm Loans reported between January 1, 2006 through July 15, 2008.

Limited Scope Review AAs

Clinton County AA

Based on a limited scope review, the bank's performance in lending to borrowers of different incomes and businesses and farms of different sizes in the Clinton County AA is reasonable. LCNB's distribution of home purchase and home improvement loans in the Clinton County AA is consistent with the performance of the Cincinnati AA tested under the full-scope review. The bank's record of home purchase originations to low-income borrowers (10.00%) is less than the percentage of low-income families in the AA. The distribution of home purchase loans to moderate income borrowers (10.00%) is also slightly less than the percentage of moderate-income families (16.74%). The bank's record of lending for home improvement loans to low-income borrower (20%) exceeds the percentage of low-income families in the AA (14.99%). LCNB's record of lending to moderate-income borrowers (13.33%) is slightly less than the percentage of moderate-income families (16.74%). LCNB's distribution of home mortgage refinance loans in the Clinton County AA is not consistent with the overall performance of the AA tested under the full-scope review. LCNB did not originate any refinance loans to low-income borrowers during the evaluation period. Additionally, LCNB's record of refinance loans to moderate-income borrowers revealed that 7.69% of the refinance loans originated in the AA were to moderate-income borrowers while 16.74% of the families in the AA are considered moderate-income. See Table 6 for details.

Table 6 – Borrower Distribution of Residential Real Estate Loans in the Clinton County AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Total Number of Loans
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	14.99	10.00	16.74	10.00	23.87	40.00	44.40	40.00	10
Home Refinance	14.99	0.00	16.74	7.69	23.87	53.85	44.40	38.46	13
Home Improvement	14.99	20.00	16.74	13.33	23.87	26.67	44.40	40.00	15

Source: HMDA loans originated from January 1, 2006 through July 15, 2008; 2000 U.S. Census data, updated as of 2007.

Borrower distribution for small loans to businesses in the Clinton County AA is consistent with the overall performance of the Cincinnati AA tested under the full-scope review. Review of loan data for the evaluation period revealed that 55.56% of loans originated in the Clinton County AA during the evaluation period were in amounts of \$100,000 or less. Typically, loans less than \$100,000 are made to businesses with revenues of \$1 million or less, thus, a correlation exists between the percentage of loans in amount of \$100,000 or less and the bank's performance under this criteria. See Table 7 for details.

Table 7 – Borrower Distribution of Loans to Businesses by Loan Size in the Clinton County AA		
Less than or equal to \$100,000	55.56%	20
>\$100,000 to \$250,000	30.56%	11
>\$250,000 to \$1,000,000	13.88%	5
TOTAL	100.00%	36

Source: CRA Business Loans reported between January 1, 2006 through July 15, 2008.

LCNB's lending performance for small loans to farms in the Clinton County AA is not consistent with the overall lending performance of the Cincinnati AA tested under the full-scope review. Review of loan data revealed that only 33.33% of the loans originated were made in amounts of \$100,000 or less. However, due to the small number of agricultural loans originated in the AA during the evaluation period (3), the lack of lending to small farms in the AA is not a significant factor in the overall assessment of lending performance. See Table 8 for details.

Table 8 – Borrower Distribution of Loans to Farms by Loan Size in the Clinton County AA		
Less than or equal to \$100,000	33.33%	1
>\$100,000 to \$250,000	66.67%	2
>\$250,000 to \$1,000,000	0.00%	0
TOTAL	100.00%	3

Source: CRA Farm Loans reported between January 1, 2006 through July 15, 2008.

Dayton AA

Based on a limited scope review, the bank's performance in lending to borrowers of different incomes and businesses and farms of different sizes in the Dayton AA is reasonable. LCNB's distribution of home purchase and home refinance loans in the Dayton AA is consistent with the performance of the AA tested under the full-scope review. The bank's record of home purchase originations to low-income borrowers (14.29%) is less than the percentage of low-income families in the AA (20.84%). During the evaluation period, LCNB did not originate any home purchase loans to moderate-income borrowers. The bank's percentage of home refinance loans

to low-income borrowers (33.33%) significantly exceeds the percentage of low-income families in the AA. The percentage of home refinance loans to moderate-income borrowers (16.67%) is less than the percentage of moderate-income families in the AA. LCNB did not originate any home improvement loans in the AA during the evaluation period. The limited period since the bank entered the AA (branch opened May 2007), may have been a contributor to the bank's lack of lending activity in the AA. See Table 9 for details.

Table 9 – Borrower Distribution of Residential Real Estate Loans in the Dayton AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Total Number of Loans
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	20.84	14.29	19.07	0.00	22.22	28.57	37.87	57.14	7
Home Refinance	20.84	33.33	19.07	16.67	22.22	0.00	37.87	50.00	6
Home Improvement	20.84	0.00	19.07	0.00	22.22	0.00	37.87	0.00	0

Source: HMDA loans originated from January 1, 2006 through July 15, 2008; 2000 U.S. Census data, updated as of 2007.

The borrower distribution for small loans to businesses to in the Dayton AA is not consistent with the performance of the Cincinnati AA tested under the full-scope review. Review of loan data for the evaluation period revealed that 38.46% of loans originated in the Dayton AA during the evaluation period were in amounts of \$100,000 or less. Typically, loans less than \$100,000 are made to businesses with revenues of \$1 million or less, thus, a correlation exists between the percentage of loans in amount of \$100,000 or less and the bank's performance under this criteria. See Table 10 for details.

Table 10 – Borrower Distribution of Loans to Businesses by Loan Size in the Dayton AA		
Less than or equal to \$100,000	38.46%	10
>\$100,000 to \$250,000	15.38%	4
>\$250,000 to \$1,000,000	46.16%	12
TOTAL	100.00%	26

Source: CRA Business Loans reported between January 1, 2006 through July 15, 2008.

LCNB did not originate any agricultural loans in the Dayton AA during the evaluation period. Due to the limited timeframe in which the bank has had a presence in the AA (branch opened May 2007) and limited impact of the Dayton AA on the bank's overall performance, the bank's lack of lending to small farms in the AA is not a significant factor in the overall assessment of lending performance. See Table 11 for details.

Table 11 – Borrower Distribution of Loans to Farms by Loan Size in the Dayton AA		
Less than or equal to \$100,000	0.00%	0
>\$100,000 to \$250,000	0.00%	0
>\$250,000 to \$1,000,000	0.00%	0
TOTAL	100.00%	0

*Source: CRA Farm Loans reported between January 1, 2006
through July 15, 2008.*

Geographic Distribution of Loans

LCNB's geographic distribution of loans reflects reasonable dispersion.

Cincinnati AA

- Geographic distribution of loans in the Cincinnati AA reflects reasonable dispersion.

The geographic distribution of home loans reflects reasonable dispersion.

LCNB's geographic distribution of home purchase loans is reasonable. During the evaluation period, LCNB did not originate any home purchase loans in low-income geographies in the Cincinnati AA. The bank's lack of home purchase loan originations in the low-income geographies is reasonable given the lack of owner-occupied units in the AA (only .45% of all owner-occupied units in the AA are located in low-income geographies), as well as the limited number of low-income geographies in the AA (four). The bank's geographic distribution for home purchase loans in moderate-income geographies is less than the percentage of owner-occupied units in those moderate-income geographies (6.55% vs. 15.17%). However, review of demographic data and comparison of the bank's lending record over time revealed that while the percentage of owner-occupied units in the Cincinnati AA has risen significantly since the prior CRA examination, LCNB's level of lending in those moderate-income CTs located in the Cincinnati AA, has remained relatively unchanged during the same period. The increase in the percentage of owner-occupied units in the AA is a result of the significant rise in the availability of home mortgage loans during the evaluation period. While LCNB did not increase its mortgage lending during the evaluation period, the bank was able to maintain its prior level of lending activity without relaxing its underwriting standards. Based upon these factors the geographic distribution of loans is considered reasonable. See Table 12 for detail.

The geographic distribution of home refinance and home improvement loans is also considered reasonable throughout the bank's Cincinnati AA. LCNB did not originate any home refinance or home improvement loans in low-income geographies of the Cincinnati AA. However, given the low percentage of owner-occupied units in low-income geographies of the AA (0.45%), the bank's lack of home refinance and home improvement originations in low-income geographies is not detrimental to the bank's CRA performance. LCNB's geographic distribution for home refinance and home improvement loans in moderate-income geographies is significantly lower

than the percentage of owner-occupied units in the AA. The bank's percentages of home refinance and home improvement loans in moderate-income geographies are lower than the percentage of owner-occupied units in moderate-income geographies. However, as previously stated, the bank's record of origination of mortgage refinance loans has not changed significantly when compared to prior years. See Table 12 for detail.

Census Tract Income Level	Low		Moderate		Middle		Upper		Number of Loans in AA
	% of Owner-occupied units	% of Bank Loans	% of Owner-occupied units in AA	% of Bank Loans	% of Owner-occupied units	% of Bank Loans	% of Owner-occupied units	% of Bank Loans	
Home Purchase	0.45	0.00	15.17	6.55	40.22	52.38	44.16	41.07	168
Home Refinance	0.45	0.00	15.17	4.58	40.22	65.49	44.16	29.93	284
Home Improvement	0.45	0.00	15.17	3.57	40.22	61.90	44.16	34.52	84

Source: HMDA loans originated from January 1, 2006 through July 15, 2008.

The geographic distribution of small loans to businesses in the Cincinnati AA meets the standard for satisfactory performance. The bank's percentage of small loans to businesses in low-income geographies (1.20%) is near the percentage of businesses in those geographies (1.60%). The bank's percentage of small loans to businesses in moderate-income geographies (7.89%) is significantly less than the percentage of businesses in moderate-income geographies (19.03%). See Table 13 for details.

Geography Income Level	Low		Moderate		Middle		Upper		Total Small Business Loans
	% of AA Business	% of Bank Loans	% of AA Business	% of Bank Loans	% of AA Business	% of Bank Loans	% of AA Business	% of Bank Loans	
	1.60	1.20	19.03	7.89	37.20	56.78	41.11	34.13	583

Source: CRA Business Loans reported between January 1, 2006 through July 15, 2008; Dun and Bradstreet 2008.

The geographic distribution of small loans to farms in the Cincinnati AA does not meet the standard for reasonable dispersion and demonstrates poor performance. During the evaluation period LCNB did not originate any small loans to farms in either low- or moderate-income geographies in the Cincinnati AA, as reflected in Table 14.

Table 14 – Geographic Distribution of Loans to Farms in the Cincinnati AA									
Census Tract Income Level	Low		Moderate		Middle		Upper		Total Small Farm Loans
	% of Farms	% of Bank Loans							
Cincinnati AA	1.11	0.00	7.51	0.00	55.24	66.67	36.14	33.33	72

Source: CRA Farm Loans reported between January 1, 2006 through July 15, 2008; Dun and Bradstreet 2008.

Limited Scope Reviews

Clinton County AA

The Clinton County AA does not contain any low or moderate-income geographies; therefore, analysis of geographic distribution of this AA would not be meaningful.

Dayton AA

The bank's performance in the Dayton AA is not consistent with the overall performance of the Cincinnati AA tested under the full-scope review.

The geographic distribution of home loans in the Dayton AA reflects poor dispersion. During the evaluation period the bank did not originate any residential real estate loans in low- or moderate-income geographies during the evaluation period. See Table 15 for details. During the evaluation period, LCNB originated only six home refinance and seven home purchase loans in the Dayton AA. However, the small number of home mortgage refinances originated and the limited period since the AA's branch opening may prevent a meaningful analysis for the AA. LCNB did not originate any home improvement loans in any geography in the AA during the evaluation period. However, it should be noted that the Dayton MSA was added as an AA in May 2007. This short time frame may not have provided sufficient time for the origination of home improvement loans.

Table 15 – Geographic Distribution of Residential Real Estate Loans in the Dayton AA									
Census Tract Income Level	Low		Moderate		Middle		Upper		Number of Loans in AA
	% of Owner- occupied units	% of Bank Loans	% of Owner- occupied units in AA	% of Bank Loans	% of Owner- occupied units	% of Bank Loans	% of Owner- occupied units	% of Bank Loans	
Home Purchase	2.93	0.00	19.92	0.00	47.69	28.57	29.46	71.43	7
Home Refinance	2.93	0.00	19.92	0.00	47.69	33.33	29.46	66.67	6
Home Improvement	2.93	0.00	19.92	0.00	47.69	0.00	29.46	0.00	0

Source: HMDA loans originated from January 1, 2006 through July 15, 2008.

The geographic distribution of small loans to businesses in the Dayton AA reflects poor dispersion. The bank did not originate any small business loans in the Dayton AA’s low-income geographies during the evaluation period. The percentage of small loans to businesses in moderate-income geographies (7.69%) is significantly less than the percentage of businesses in those geographies (22.35%). Given the short time period in the AA, and the relatively few number of originations in the AA (26), the poor dispersion of business loans in the AA does not have a significant impact on the overall assessment of the bank's performance for geographic distribution. See Table 16 for details.

Table 16 – Geographic Distribution of Loans to Businesses in the Dayton AA									
Geography Income Level	Low		Moderate		Middle		Upper		Total Small Business
	% of Business	% of Bank Loans							
Dayton AA	9.55	0.00	22.35	7.69	39.50	7.69	28.60	84.62	26

Source: CRA Business loans reported between January 1, 2006 through July 15, 2008, Dun and Bradstreet 2008.

LCNB did not originate any small loans to farms in either low-income or moderate-income geographies during the evaluation period. See Table 17.

Table 17 – Geographic Distribution of Loans to Farms in the Dayton AA									
Geography Income Level	Low		Moderate		Middle		Upper		Total Small Farm Loans
	% of Farms	% of Bank Loans							
Dayton AA	2.38	0.00	15.29	0.00	57.64	0.00	24.69	0.00	0

Source: CRA Farm Loans reported between January 1, 2006 through July 15, 2008, Dun and Bradstreet 2008.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

LCNB’s community development performance demonstrates excellent responsiveness to community development needs in its AAs through community development lending, qualified investments and community development services which is reflective of outstanding performance. Performance in the Cincinnati AA is excellent. Performance in the Clinton AA and the Dayton AA is satisfactory. The evaluation period for Community Development loans, investments and services was 2006, 2007 and year-to-date July 15, 2008.

The overall rating of outstanding reflects the bank’s responsiveness in the primary AA. The Cincinnati AA accounts for 97.0% of the deposits, 91.17% of loans by number and 89.84% by

dollar volume. Therefore, more weight was given to activities within the Cincinnati AA than either the Clinton or Dayton AAs. Overall, the bank has excellent responsiveness through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

Number and Amount of Community Development Loans

Cincinnati AA

LCNB's responsiveness to CD needs in the Cincinnati AA is excellent and reflects outstanding performance. Throughout the evaluation period, the bank has made five eligible Community Development Loans for \$1,277,000 within the Cincinnati AA. One of the loans in the amount of \$600,000 was for an addition to Pilgrim Baptist Church, which is located within a low-income census tract and provides services to residents in the local community. Another loan made was for \$327,000 to M&B Investments, which constructed three single-family homes, built as low-income housing, that were sold to the City of Lebanon. The other three loans were made to Warren County Balanced Housing for \$350,400, which purchases and rehabilitates homes, and then sells them to low- and moderate-income families.

Clinton County AA

LCNB's responsiveness to CD needs in the Clinton County AA is not consistent with the overall performance of the Cincinnati AA tested under the full-scope review. No CD loans were made to benefit Clinton County. As mentioned previously, no low- or moderate-income tracts are present within the assessment area, which may limit the opportunities for CD as a whole. In addition, the level of overall activity within the AA relative to the entire bank is limited.

Dayton AA

LCNB's responsiveness to CD needs in the Dayton AA is not consistent with the overall performance of the Cincinnati AA tested under the full-scope review. No CD loans were made in the Dayton AA. As mentioned previously, the bank is new to the Dayton market, opening up their first and only branch in the AA in May 2007.

Number and Amount of Qualified Investments

LCNB's qualified investment activity is outstanding. The bank previously received credit for two mortgage-backed securities, which remain on the books at a book value of \$2.1 million. During the evaluation period, the bank made two additional CRA qualified investment purchases. One was another mortgage-backed security with a purchase cost of over \$1 million. Of that amount, \$800,000 of the mortgages was to low- and moderate-income families within the Cincinnati AA. The other qualified investment was a \$500,000 investment in the CRA Qualified Investment Fund. The primary investment strategy of the fund is to invest in debt securities that support community development activities. The investment fund purchased an OHFA (Ohio Housing Finance Agency) mortgage revenue bond on the bank's behalf. The OHFA program is available to all first-time homebuyers (identified as a need during a community contact) within the state of Ohio and targets low- to moderate-income individuals within Butler, Warren, and Montgomery counties.

Cincinnati AA

LCNB's investment activity in the Cincinnati AA is outstanding. The bank made donations to 21 different organizations totaling \$75,000 in the Cincinnati AA. The donations were to various organizations that cater to the needs of low- and moderate-income families such as the United Way, Habitat for Humanity, Shared Harvest Foodbank, the Salvation Army, Warren County Community Services and others. The bank also provided for a scholarship fund for a student at Miami University from a low- or moderate-income family.

Clinton County AA

LCNB's investment activity in the Clinton County AA is satisfactory. The bank made five donations to two organizations totaling \$9,500 in the Clinton County AA. The Clinton County AA donations consisted of three scholarship contributions to the Ohio Foundation of Independent Colleges totaling \$8,500 and two donations totaling \$1,000 to the Clinton County United Way. The scholarship, similar to that provided for a Miami University recipient, is to be designated for a student from a low- to moderate-income family.

Dayton AA

LCNB's investment activity in the Dayton AA needs to improve. No qualified donations were made in the Dayton AA.

Extent to Which the Bank Provides Community Development Services

CD services provided by the bank represent adequate responsiveness and demonstrate satisfactory performance.

Cincinnati AA

LCNB's responsiveness to CD needs of the Cincinnati AA is satisfactory. LCNB's delivery systems are accessible to geographies and individuals throughout the AA. No branches have been closed in low- or moderate-income geographies. There are three branches located in moderate-income tracts, one stand alone ATM located in a low-income CT and one ATM located in a moderate income CT. The ATM in the low-income CT is stated to be unprofitable but left operable to continue to serve the needs of the community.

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 also originates loans in amounts of less than \$1,000, which was identified as a credit need for low-to moderate-income persons within its communities. The bank has recently entered into the State of Ohio's "Grow Now" loan program for small business development. As of June 25, 2008, two loans have been approved under the "Grow Now" program.

Clinton County AA

LCNB's performance for CD services in the Clinton County AA is consistent with the overall performance of the Cincinnati AA tested under the full-scope review. All CD services offered in the Cincinnati AA are also offered in the Clinton County AA. There is one branch with an ATM in the AA located in a middle-income CT.

Dayton AA

LCNB's performance for CD services in the Dayton AA is consistent with the overall performance of the Cincinnati AA tested under the full-scope review. All CD services offered in the Cincinnati AA are also offered in the Dayton AA. There is one branch with in the AA located in an upper-income CT.

The bank's officers and employees serve on boards at numerous local social service and community organizations providing financial and technical expertise as needed. Chairman of the Board and Chief Executive Officer Steve Wilson and Board member Spencer Cropper serve on the Board at the Warren County Foundation as Vice Chair and Chair. The role of the foundation is to administer public funds to charities including those which benefit low – and moderate-income individuals and geographies. Assistant Vice President (AVP) John Wetzig is on the advisory committee for the Metropolitan Housing Family Self-Sufficiency Team, which works on the transition from homelessness to stable housing to home ownership. Mr. Wetzig provides technical assistance to the committee advising on financial services.

The bank also provides technical assistance and financial expertise. The bank was favorably featured in a "Dayton Business Journal" article in regards for the needs of financial education. The bank also sponsored the "Newspaper in Education" program, which is administered by the "Dayton Daily News" and provides newspapers for needy classrooms in the Dayton area. In addition, John Wetzig spoke at the Exchange Club, which supported increased financial education and is an advocate of prevention of child abuse. Senior Vice President Tim Sheridan and John Wetzig both made a presentation on home foreclosure hosted by the Warren County Housing Coalition.

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 primarily by the bank's performance in the Cincinnati AA. While the performance in the Dayton AA and the Clinton County AA is satisfactory, the bank's focus and predominant activity remains within the Cincinnati AA.

In response to the identified needs of affordable housing, first-time homebuyers programs and small business loans, LCNB has made loans or made donations to entities that subsidize affordable housing, made donations to an entity that buys, rehabilitates and resells homes to low-to moderate-income families and offered no charge checking.

Fair Lending or Other Illegal Credit Practices Review

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