

# EXPANDING HORIZONS

EXPANDING OPPORTUNITIES



*2015 Annual Report*



4047115

# Letter To Our Shareholders

Dear Shareholders:

Our 2015 Annual Report cover showcases LCNB's geographic growth and the communities we serve within that footprint. We have increased our total assets by 62% in the last three years. The acquisition of three strong and respected community banks has only strengthened LCNB National Bank. We have not only added to our geographic area but we have added good experienced bankers to the LCNB team. This knowledgeable team is very capable of helping our current and future customers solve their banking needs.

LCNB National Bank has a history that dates back to 1877. Most of our operations and corporate offices are located in the original bank building in downtown Lebanon, Ohio. Although that building has served LCNB's growth for over 138 years, we are out of space. Through collaboration with the City of Lebanon we are able to expand by constructing an additional building within a block of our existing downtown Lebanon

location. The new Operations Center will add an additional 48,000 square feet of office and meeting space. We will continue to use and maintain our original location. Our



branch operations, Trust Department, Training Center, Human Resources Department, and Corporate Offices will remain in the current building. Completion of the new building is scheduled for January 2017.

In December of 2015 Steve Wilson announced his retirement from LCNB. Steve started at the bank in 1975 while his father, Howard, was President and CEO of Lebanon Citizens National Bank. The bank's footprint was the Main Office and the Columbus Avenue branch in Lebanon. There was an additional branch in South Lebanon. Total assets were approximately \$30 million. A branch expansion was undertaken under Steve's supervision and LCNB started entering new markets. Today LCNB is almost \$1.3 billion in total assets and has thirty-six offices in nine counties. Steve succeeded his father as President of Lebanon Citizens National Bank in 1989. During Steve's career

# Letter To Our Shareholders

*Continued*

he was very active in the banking industry. Steve is past chairman of the Ohio Bankers League at the state level and past chairman of the American Bankers Association at the national level. Steve is also very active in civic organizations in Lebanon and Warren County. Steve will retain the title of Chairman of the Board of LCNB Corp. and LCNB National Bank.

It is with great sadness we report the unexpected loss of one of LCNB's directors, Rick Blossom. In early February 2016, Rick was taken by a heart attack. Rick joined the Board in 2004 after a successful career in banking both in Hamilton and Warren, Ohio. Rick's financial background made him highly qualified to be the Audit Committee's chairman and financial expert, a position he held many years. His friendship and valuable contribution to the bank will be missed.

Strong earnings in 2015 allowed LCNB to provide shareholders a dividend payout ratio of just over 54%. The return on average assets (ROAA) was 0.94% and the return on average equity (ROAE) was 8.43% for 2015. This compares to a ROAA of 0.88% and a ROAE of 8.04% in 2014. Net income was \$11.5 million at the end of 2015 compared to \$9.9 million at the end of 2014. The inte-

gration of Brookville National Bank was completed in the first half of 2015 and LCNB ended 2015 with just over \$1.8 billion in assets under management.

Additional statistical data and information on our financial performance for 2015 is available in the LCNB Corp. Annual Report on Form 10-K. This report is filed annually with the Securities and Exchange Commission. We have enclosed the Form 10-K with the initial mailing of this report to shareholders and it is available upon request or from the shareholder information section on our website, [www.LCNB.com](http://www.LCNB.com) or [www.lcnbcorp.com](http://www.lcnbcorp.com).

The Annual Meeting for LCNB Corp. will be Tuesday, April 26, 2016 at 10:00 a.m. at our Main Office located at 2 North Broadway in Lebanon, Ohio. Proxy material is included with this mailing. Please review, sign, and return the proxy in the envelope provided. We would be pleased to have you attend our annual meeting in person. Thank you for your continued support.



Stephen P. Wilson  
Chairman and CEO



Steve P. Foster  
President

# Board of Directors



**Stephen P. Wilson**  
Chairman of the Board  
Chief Executive Officer



**Steve P. Foster**  
President



**William H. Kaufman**  
Attorney



**Spencer S. Cropper**  
Certified Public Accountant  
Stolle Properties, Inc.



**Anne E. Krehbiel**  
Attorney



**George L. Leasure**  
President  
GMi Company



**Rick L. Blossom**  
Managing Partner  
Reality Check, LLC



**John H. Kochensparger, III**  
Retired



**Stephen P. Wilson**  
Chairman of the Board  
Chief Executive Officer

**Steve P. Foster**  
President

**George L. Leasure**  
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**William H. Kaufman**  
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Retired

## EXPANDING HORIZONS - EXPANDING OPPORTUNITIES

Every year at this time, we look back on what we have accomplished and look toward the new opportunities on our horizon. We also begin mapping out our strategy to capitalize on these expanding opportunities and build upon the strengths of our experienced team members.

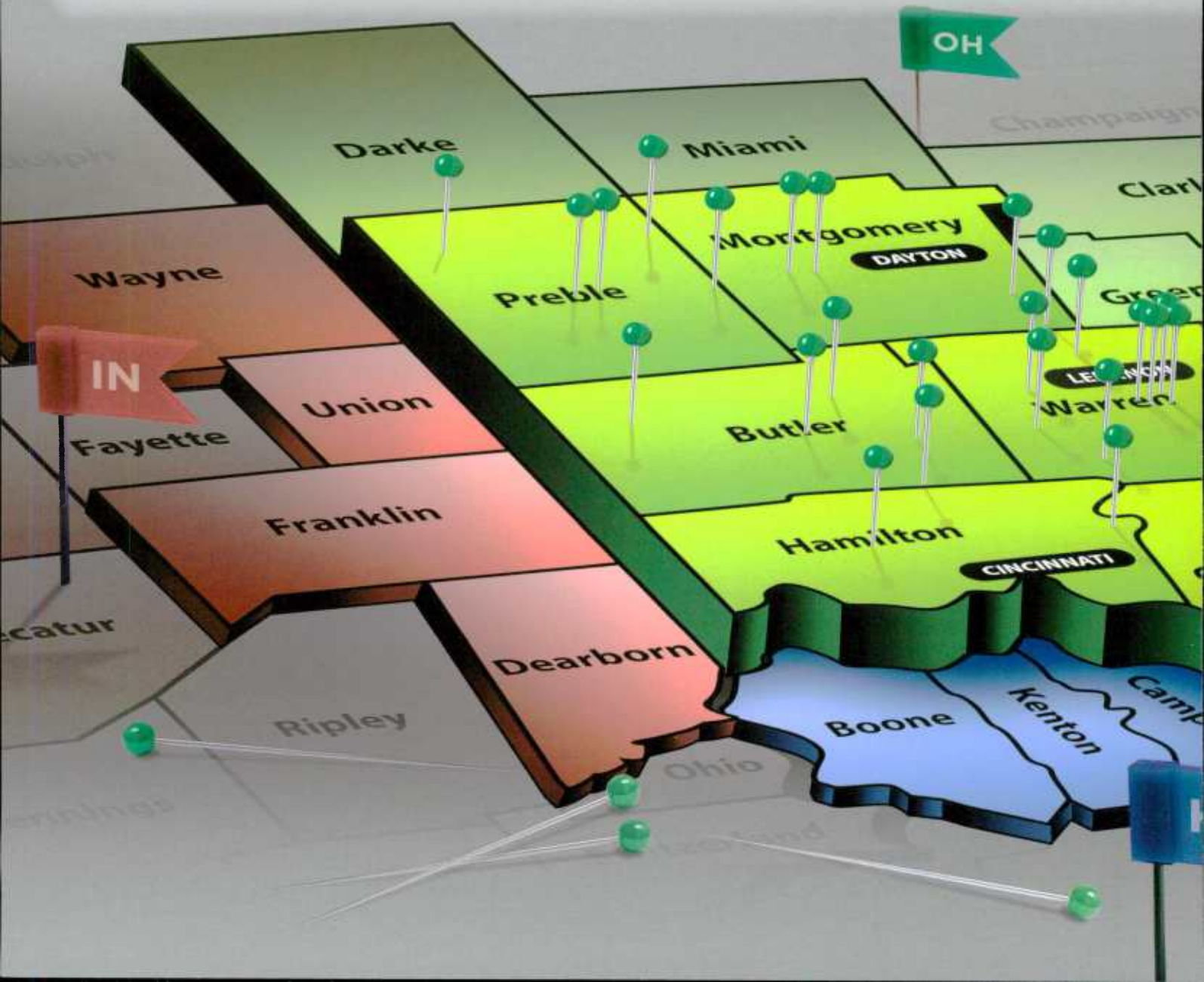
Our 36 offices serve 9 counties in some of the most dynamic regions in Ohio. The entire state is undergoing a renaissance after a number of years of slow or negative growth. The urban, suburban and rural communities we serve are benefiting directly from the State's positive pro-business environment.

We regularly highlight information in our annual reports about LCNB products and services that are

designed to help businesses and individuals succeed. Of course, we continue to serve our customers by providing the necessary banking resources they want and need. However, the basis for serving our customers well starts with the experience, knowledge and reputation of each of our people. We are committed to building upon this positive foundation.

For example, we have brought on additional experienced lenders to our team. Today we have 24 professionals in the Commercial, Mortgage and Agricultural lending categories. Each loan officer has significant expertise, with the team averaging over 23 years of local market experience. Our knowledge and experience within these markets put us in an excellent position.

LCNB's Agricultural team also brings a wealth of personal and professional experience in serving their cus-



tomers. Unique to this team are their backgrounds; they are from farming families who have been successful in agriculture for generations. Few financial institutions offer the first-hand expertise in farming combined with the knowledge of governmental programs and lending cycles that LCNB's Ag team provides.

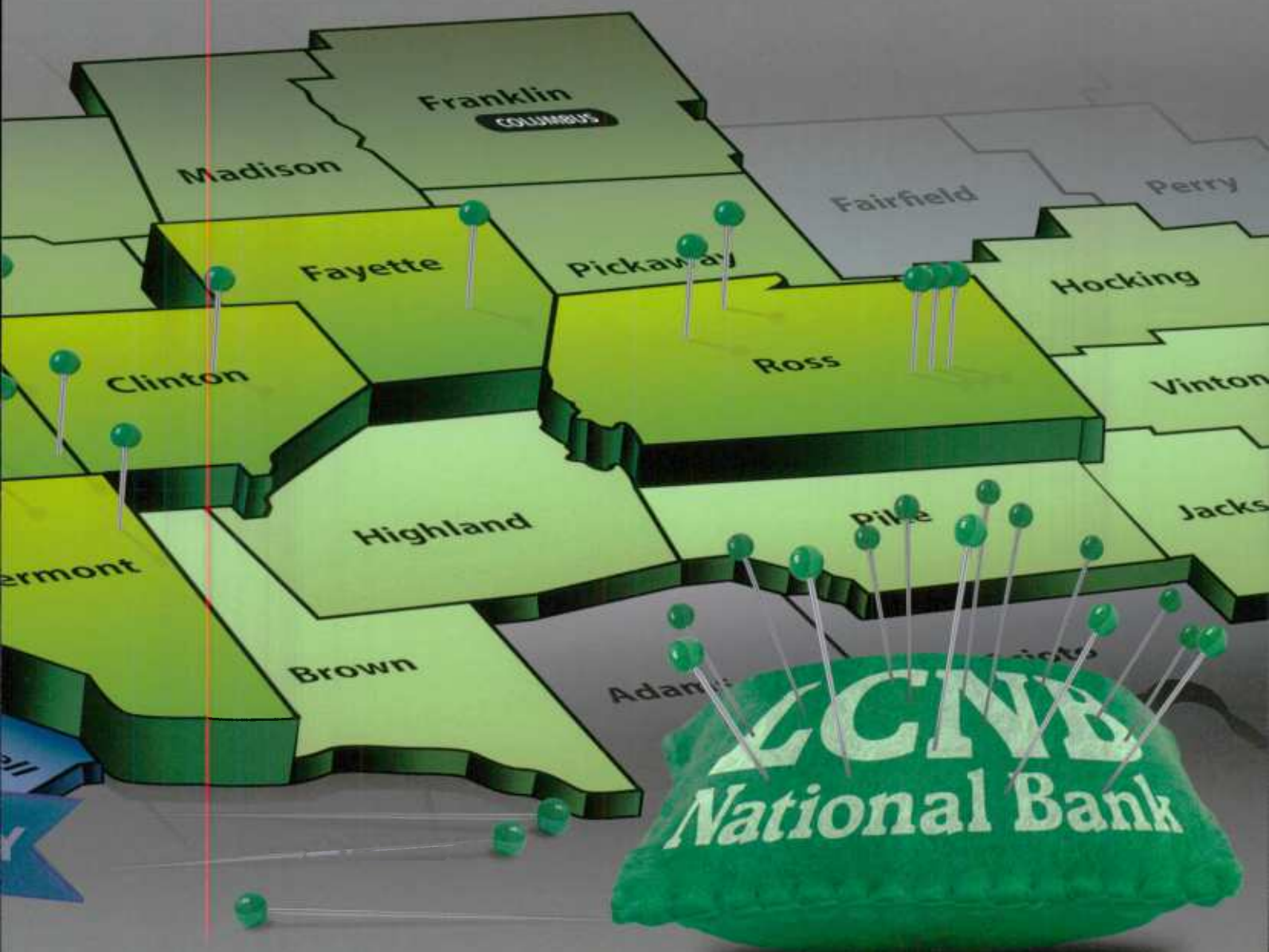
The Trust and Investment Services group is an additional core area LCNB has built to serve its customers' estate planning and financial management needs. This team of experienced and qualified professionals has developed a strong reputation for providing personal fiduciary service to generations of customers throughout the markets we serve.

Deposit Services offers a suite of products that have been designed with input from business and personal banking customers. LCNB continues to upgrade its

technology to include the mobile and digital conveniences our customers desire. Services like mobile and online banking, remote data capture, merchant services and treasury management services provide tools to meet the daily demands of our busy customers.

As we enter 2016, LCNB continues to take advantage of expanding opportunities. The Bank's new Operations Center, located one block north of the Main Office in Lebanon, is under construction.

Steve Wilson, following a 41 year career with LCNB, announced his retirement in December along with the appointment of President Steve Foster to the CEO position. Working shoulder-to-shoulder for many years, this smooth transition paves the way for LCNB National Bank to take full advantage of the new opportunities ahead on its expanding horizon.



# LCNB Officers

Name	Years with LCNB	Title	Years of Related Experience
Stephen P. Wilson	41	Chairman & CEO	44
Steve P. Foster	39	President	42
Robert C. Haines, II	24	Executive VP	24
Matthew P. Layer	33	Executive VP	33
Leroy F. McKay	20	Executive VP	30
Eric J. Meilstrup	28	Executive VP	28
Stephen P. Anglin	15	Senior VP	37
Brian N. Bausmith	29	Senior VP	29
Kenneth R. Layer	33	Senior VP	33
Jeff Meeker	3	Senior VP	32
Patricia D. Mitchell	37	Senior VP	37
Rebecca H. Roess	7	Sr. VP/Trust Off.	17
John Rost	9	Senior VP	33
Bradley A. Ruppert	8	Sr. VP/Trust Off.	17
Timothy J. Sheridan	26	Senior VP	39
Ann M. Smith	29	Senior VP	29
Peter G. Berninger	11	Vice President	33
David Bock	2	Vice President	14
Gene G. Bonny	5	Vice President	10
Pam Bowles	3	Vice President	24
John Chartrand	2	Vice President	13
Daniel Daughtery	2	Vice President	37
Jeffery M. Doles	2	Vice President	30
Deborah Fitzwater	2	Vice President	23
Lisa A. Gibson	13	Vice President	25
Jodi Hart	3	Vice President	19
Kelly Haworth	7	Vice President	35
James Hester	2	Vice President	34
Kimberly B. Isaacs	20	Vice President	20
Annie S. Joseph	10	VP/Regional	18
Mark Kennard	4	Vice President	12
Steven C. Lautenslager	26	Vice President	26
Michael Lavatori	13	Vice President	27
Kimberli R. Layer	26	Vice President	26
Roger P. Mersch	10	Vice President	32
John M. Minyo	1	Vice President	29
Lori Raines	3	Vice President	24
Scott Roman	2	Vice President	25
Nathan Sachritz	7	Vice President	36
Lonnie D. Schear	18	Vice President	42
Connie A. Sears	13	Vice President	28
Deborah G. Stevens	14	Vice President	39
David A. Stitsinger	9	Vice President	37
Beverly K. Taylor	39	Vice President	39
John L. Torbeck	6	Vice President	30
Juli Troutman	2	Vice President	15
Elizabeth G. Vogle	5	Vice President	34
Frank Williams	2	VP/Trust Officer	38
Gregory Woods	3	Vice President	13
Melanie K. Crane	30	AVP/Trust Officer	30
Myra Frame	2	AVP/Trust Officer	34
S. Diane Ingram	24	AVP/Trust Officer	24
Jacqueline A. Manley	3	AVP/Trust Officer	9

Name	Years with LCNB	Title	Years of Related Experience
Christina L. Harris	20	Regional AVP	20
Patricia S. Hogan	25	Regional AVP	25
Ronda Holdren	3	Regional AVP	24
Michele Kreitzer	2	Regional AVP	27
Paula L. Lee	12	Regional AVP	21
Teresa A. McCurley	27	Regional AVP	27
Deborah Bradley	2	Assistant VP	34
Amy L. Butler	24	Assistant VP	24
William E. Childers	17	Assistant VP	20
Clint Day	8	Assistant VP	8
Lisa E. Emmel	10	Assistant VP	26
Chris Fourman	2	Assistant VP	31
Kimberly J. Johnson-Hall	35	Assistant VP	37
Judith Neiheisel	9	Assistant VP	33
Mark Pennington	3	Assistant VP	13
Sara Sorrell	2	Assistant VP	4
Tyler Tepe	8	Assistant VP	8
Simone Walter	12	Assistant VP	12
Rhonda G. Wetzig	23	Assistant VP	23
Sarah Wilson	6	Assistant VP	6
Jenny Bates	17	Asst. IT Officer	17
Ann Blackburn	3	Branch Officer	28
Tom Borucki	2	Asst. IT Officer	20
Cynthia Browning	11	Branch Officer	11
Michelle Bryan	16	Training Officer	16
Bonnie Burke	3	Branch Officer	28
Melissa M. Cordes	15	Branch Officer	21
Karen A. Day	21	Assistant Cashier	21
Chris Fisher	11	IT Officer	13
Jenny Giltrow	9	Assistant Cashier	9
Traci Hammel	20	Asst. Trust Officer	20
Terry J. Howard	26	Branch Officer	26
Mary Lynn Johnson	29	Assistant Cashier	29
M. Teresa Jenkins	12	Branch Officer	42
Veronica Keen	13	Branch Officer	13
Phoebe Kerby	3	Branch Officer	18
Amy R. Kobes	14	Asst. Trust Officer	14
Kim McDonald	19	Asst. Loan Officer	19
Gary Kozee	1	Investment Officer	17
Michele McIntosh	26	Branch Officer	26
Michael Nusbaum	4	Asst. Trust Officer	4
Angela Otis	15	Assistant Cashier	15
Patricia Q. Partch	12	Bus. Dev. Officer	30
Janet M. Preston	20	Assistant Cashier	30
Tami Reisinger	3	Branch Officer	12
Glenn Schnell	3	Investment Officer	7
Tonya Scott	18	Assistant Cashier	18
Betty Seibert	18	Branch Officer	26
Lenora Schoultheis	18	Branch Officer	45
Mark Tessneer	1	Investment Officer	22
Ann Weadick	2	Assistant Cashier	13
Jarrell Witty	2	Investment Officer	8
Lindsay Zirkle	7	Asst. Loan Officer	7



## Financial Highlights

For the Years Ended December 31,	(Dollars in thousands, except per share data)				
	2015	2014	2013	2012	2011
<b>Income Statement</b>					
Net interest income	\$ 39,331	35,887	29,432	25,049	25,706
Net income from continuing operations	11,474	9,869	8,780	8,270	7,322
Income from discontinued operations, net of tax	—	—	—	—	793
Net income	11,474	9,869	8,780	8,270	8,115
Dividends declared per common share	0.64	0.64	0.64	0.64	0.64
Basic earnings per common share:					
Continuing operations	1.18	1.06	1.12	1.23	1.09
Discontinued operations	—	—	—	—	0.12
Diluted earnings per common share:					
Continuing operations	1.17	1.05	1.10	1.22	1.08
Discontinued operations	—	—	—	—	0.12
<b>Balance Sheet</b>					
Loans, net	\$ 767,809	695,835	570,766	450,346	458,331
Earning assets	1,178,750	1,014,640	857,653	732,968	736,119
Total assets	1,280,531	1,108,066	932,338	788,637	791,570
Total deposits	1,087,160	946,205	785,761	671,471	663,562
Short-term borrowings	37,387	16,645	8,655	13,756	21,596
Long-term debt	5,947	11,357	12,102	13,705	21,373
Total shareholders' equity	140,108	125,695	118,873	82,006	77,960
Per common share:					
Book value at year end	14.12	13.50	12.80	12.18	11.63
<b>Performance Ratios</b>					
Return on average assets	0.94%	0.88%	0.93%	1.02%	1.02%
Return on average shareholders' equity	8.43%	8.04%	9.02%	10.22%	10.89%

## Condensed Consolidated Balance Sheets

At December 31, (Dollars in thousands)

	2015	2014
<b>ASSETS:</b>		
Cash and due from banks	\$ 14,155	14,235
Interest-bearing demand deposits	832	1,610
Total cash and cash equivalents	14,987	15,845
Investment securities:		
Available-for-sale, at fair value	377,978	285,365
Held-to-maturity, at cost	22,633	22,725
Federal Reserve Bank stock, at cost	2,732	2,346
Federal Home Loan Bank stock, at cost	3,638	3,638
Loans, net	767,809	695,835
Premises and equipment, net	22,100	20,733
Goodwill	30,183	27,638
Core deposit and other intangibles	5,396	4,780
Bank owned life insurance	22,561	21,936
Other assets	10,514	7,225
<b>TOTAL ASSETS</b>	<b>\$1,280,531</b>	<b>1,108,066</b>
<b>LIABILITIES:</b>		
Deposits:		
Noninterest-bearing	\$ 250,306	213,303
Interest-bearing	836,854	732,902
Total deposits	1,087,160	946,205
Short-term borrowings	37,387	16,645
Long-term debt	5,947	11,357
Accrued interest and other liabilities	9,929	8,164
<b>TOTAL LIABILITIES</b>	<b>1,140,423</b>	<b>982,371</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred shares - no par value, authorized 1,000,000 shares, none outstanding	—	—
Common shares - no par value, authorized 12,000,000 shares, issued 10,679,174 and 10,064,945 shares at December 31, 2015 and 2014, respectively	76,908	67,181
Retained earnings	74,629	69,394
Treasury shares at cost, 753,627 shares at December 31, 2015 and 2014	(11,665)	(11,665)
Accumulated other comprehensive income (loss), net of taxes	236	785
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>140,108</b>	<b>125,695</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,280,531</b>	<b>1,108,066</b>

## Condensed Consolidated Statements of Income

For the years ended December 31, (Dollars in thousands, except per share data)

	2015	2014	2013
<b>INTEREST INCOME:</b>			
Interest and fees on loans .....	<b>\$35,285</b>	32,706	27,325
Interest on investment securities:			
Taxable .....	<b>4,197</b>	3,757	3,369
Non-taxable .....	<b>2,848</b>	2,713	2,573
Other investments .....	<b>329</b>	301	230
<b>TOTAL INTEREST INCOME</b> .....	<b>42,659</b>	39,477	33,497
<b>INTEREST EXPENSE:</b>			
Interest on deposits .....	<b>3,009</b>	3,161	3,602
Interest on short-term borrowings .....	<b>24</b>	22	25
Interest on long-term debt .....	<b>295</b>	407	438
<b>TOTAL INTEREST EXPENSE</b> .....	<b>3,328</b>	3,590	4,065
<b>NET INTEREST INCOME</b> .....	<b>39,331</b>	35,887	29,432
<b>PROVISION FOR LOAN LOSSES</b> .....	<b>1,366</b>	930	588
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	<b>37,965</b>	34,957	28,844
<b>NON-INTEREST INCOME:</b>			
Trust income .....	<b>3,262</b>	2,903	2,518
Service charges and fees on deposit accounts .....	<b>4,920</b>	4,838	4,155
Net gain on sales of securities .....	<b>495</b>	149	1,060
Bank owned life insurance income .....	<b>625</b>	671	678
Gains from sales of mortgage loans .....	<b>343</b>	147	339
Other operating income .....	<b>478</b>	434	340
<b>TOTAL NON-INTEREST INCOME</b> .....	<b>10,123</b>	9,142	9,090
<b>NON-INTEREST EXPENSE:</b>			
Salaries and employee benefits .....	<b>17,593</b>	15,762	13,487
Equipment expenses .....	<b>1,257</b>	1,316	1,232
Occupancy expense, net .....	<b>2,307</b>	2,232	2,042
State franchise tax .....	<b>1,001</b>	955	846
Marketing .....	<b>720</b>	703	561
Amortization of intangibles .....	<b>700</b>	574	334
FDIC premiums .....	<b>598</b>	660	499
ATM expense .....	<b>698</b>	624	534
Computer maintenance and supplies .....	<b>782</b>	794	616
Telephone expense .....	<b>707</b>	690	566
Contracted services .....	<b>842</b>	880	568
Other real estate owned .....	<b>489</b>	285	(30)
Merger-related expenses .....	<b>643</b>	1,400	1,433
Other non-interest expense .....	<b>4,055</b>	3,969	3,524
<b>TOTAL NON-INTEREST EXPENSE</b> .....	<b>32,392</b>	30,844	26,212
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>15,696</b>	13,255	11,722
<b>PROVISION FOR INCOME TAXES</b> .....	<b>4,222</b>	3,386	2,942
<b>NET INCOME</b> .....	<b>\$11,474</b>	9,869	8,780
Earnings per common share:			
Basic .....	<b>\$1.18</b>	1.06	1.12
Diluted .....	<b>1.17</b>	1.05	1.10
Weighted average shares outstanding:			
Basic .....	<b>9,704,965</b>	9,297,019	7,852,514
Diluted .....	<b>9,811,476</b>	9,406,346	7,982,997