

Press Release  
April 18, 2016

## **LCNB CORP. REPORTS FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2016**

LCNB Corp. (LCNB) today announced net income of \$2,964,000 (total basic and diluted earnings per share of \$0.30) for the three months ended March 31, 2016. This compares to net income of \$2,834,000 (total basic and diluted earnings per share of \$0.30) for the same three-month period in 2015. Results for 2016 were significantly affected by the acquisition of BNB Bancorp, Inc. ("BNB") on April 30, 2015.

Net interest income for the three months ended March 31, 2016 increased \$444,000 from the comparable period in 2015, due primarily to a \$72.2 million increase in average loans and a \$76.4 million increase in average investment securities and stock. The BNB merger added \$34.7 million to LCNB's loan portfolio as of the merger date. The remainder of the increase in average loans was due to new loan origination. These increases were partially offset by a decrease in the tax equivalent net interest margin.

Commenting on the financial results, LCNB CEO Steve Foster said, "We are pleased to announce solid financial results for the first quarter of 2016. As the economy continues to improve, LCNB has experienced increased loan demand. In addition to the \$34.7 million in loans that BNB added to our portfolio in April 2015, organic growth since March 2015 totaled \$37.5 million. We believe that our strong balance sheet and recent actions, including the construction of our new operations center in Lebanon, Ohio, as well as technology and delivery channel investments, favorably position us for future growth. All of our acquisitions are fully integrated and we look forward to making our full line of financial products and services available to our current and future customers."

The provision for loan losses for the three months ended March 31, 2016 was \$21,000 greater than the comparable period in 2015. Net loan charge-offs for the first quarter 2016 and 2015 totaled \$69,000 and \$353,000, respectively. Non-accrual loans and loans past due 90 days or more and still accruing interest increased \$1,145,000, from \$2,282,000 or 0.30% of total loans at December 31, 2015 to \$3,427,000 or 0.44% of total loans at March 31, 2016, primarily due to two loans to the same borrower totaling \$1,307,000 that were newly classified as non-accrual during the first quarter 2016. Other real estate owned (which includes property acquired through foreclosure) was \$846,000 at both March 31, 2016 and December 31, 2015 and consisted of one commercial property.

Non-interest income for the three months ended March 31, 2016 was \$336,000 greater than the comparable period in 2015, primarily due to a \$260,000 increase in gains from sales of investment securities.

Non-interest expense for the three months ended March 31, 2016 was \$643,000 greater than the comparable period in 2015, primarily due to a \$273,000 increase in salaries and employee benefits and a \$251,000 penalty for early payoff of a \$5 million Federal Home Loan Bank ("FHLB") advance (included in other non-interest expense). Salaries and employee benefits increased primarily due to salary and wage increases, employees retained from the BNB acquisition, and an increase in the number of employees outside of the acquisitions. The FHLB advance had an interest rate of 5.25% and was paid off to reduce interest expense on long-term debt.

LCNB Corp. is a financial holding company headquartered in Lebanon, Ohio. Through its subsidiary, LCNB National Bank (the "Bank"), it serves customers and communities in Southwest and South Central Ohio. A financial institution with a long tradition for building strong relationships with customers and communities, the Bank offers convenient banking locations in Butler, Clermont, Clinton, Fayette, Hamilton, Montgomery, Preble, Ross and Warren Counties, Ohio. The Bank continually strives to exceed customer expectations and provides an array of services for all personal and business banking needs including checking, savings, online banking, personal lending, business lending, agricultural lending, business support, deposit and

treasury, investment services, trust and IRAs and stock purchases. LCNB Corp. common shares are traded on the NASDAQ Capital Market Exchange® under the symbol “LCNB.” Learn more about LCNB Corp. at [www.lcnb.com](http://www.lcnb.com).

*Certain statements made in this news release regarding LCNB’s financial condition, results of operations, plans, objectives, future performance and business, are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by the fact they are not historical facts and include words such as “anticipate”, “could”, “may”, “feel”, “expect”, “believe”, “plan”, and similar expressions.*

*These forward-looking statements reflect management’s current expectations based on all information available to management and its knowledge of LCNB’s business and operations. Additionally, LCNB’s financial condition, results of operations, plans, objectives, future performance and business are subject to risks and uncertainties that may cause actual results to differ materially. These factors include, but are not limited to:*

- 1. the success, impact, and timing of the implementation of LCNB’s business strategies;*
- 2. LCNB may incur increased charge-offs in the future;*
- 3. LCNB may face competitive loss of customers;*
- 4. changes in the interest rate environment may have results on LCNB’s operations materially different from those anticipated by LCNB’s market risk management functions;*
- 5. changes in general economic conditions and increased competition could adversely affect LCNB’s operating results;*
- 6. changes in other regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact LCNB’s operating results;*
- 7. LCNB may experience difficulties growing loan and deposit balances;*
- 8. the current economic environment poses significant challenges for us and could adversely affect our financial condition and results of operations;*
- 9. deterioration in the financial condition of the U.S. banking system may impact the valuations of investments LCNB has made in the securities of other financial institutions resulting in either actual losses or other than temporary impairments on such investments; and*
- 10. the effects of the Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the regulations promulgated and to be promulgated thereunder, which may subject LCNB and its subsidiaries to a variety of new and more stringent legal and regulatory requirements which adversely affect their respective businesses.*

*Forward-looking statements made herein reflect management’s expectations as of the date such statements are made. Such information is provided to assist shareholders and potential investors in understanding current and anticipated financial operations of LCNB and is included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. LCNB undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date such statements are made.*

**LCNB Corp. and Subsidiaries**  
**Financial Highlights**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>				
	<b>3/31/2016</b>	<b>12/31/2015</b>	<b>9/30/2015</b>	<b>6/30/2015</b>	<b>3/31/2015</b>
<b>Condensed Income Statement</b>					
Interest income	\$ 10,621	10,812	10,409	11,348	10,090
Interest expense	849	906	912	748	762
Net interest income	9,772	9,906	9,497	10,600	9,328
Provision for loan losses	90	380	240	677	69
Net interest income after provision	9,682	9,526	9,257	9,923	9,259
Non-interest income	2,642	2,600	2,386	2,831	2,306
Non-interest expense	8,292	8,229	8,088	8,426	7,649
Income before income taxes	4,032	3,897	3,555	4,328	3,916
Provision for income taxes	1,068	1,013	922	1,205	1,082
Net income	<u>\$ 2,964</u>	<u>2,884</u>	<u>2,633</u>	<u>3,123</u>	<u>2,834</u>
<b>Per Share Data</b>					
Dividends per share	\$ 0.16	0.16	0.16	0.16	0.16
Basic earnings per share	\$ 0.30	0.29	0.26	0.33	0.30
Diluted earnings per share	\$ 0.30	0.29	0.26	0.32	0.30
Book value per share	\$ 14.39	14.12	14.22	13.91	13.80
Tangible book value per share	\$ 10.88	10.58	10.66	10.33	10.40
Average basic shares outstanding	9,916,114	9,905,612	9,898,233	9,694,732	9,312,636
Average diluted shares outstanding	9,998,516	10,014,908	10,005,788	9,804,728	9,410,774
Shares outstanding at period end	9,931,788	9,925,547	9,903,294	9,896,904	9,317,583
<b>Selected Financial Ratios</b>					
Return on average assets	0.93%	0.89%	0.82%	1.03%	1.02%
Return on average equity	8.37%	8.07%	7.51%	9.21%	9.01%
Dividend payout ratio	53.33%	55.17%	61.54%	48.48%	53.33%
Net interest margin (tax equivalent)	3.49%	3.46%	3.37%	3.95%	3.83%
Efficiency ratio (tax equivalent)	64.74%	63.80%	65.97%	61.08%	63.90%
<b>Selected Balance Sheet Items</b>					
Investment securities and stock	\$ 393,976	406,981	391,430	378,651	329,429
<b>Loans:</b>					
Commercial and industrial	\$ 45,324	45,275	45,325	47,958	36,447
Commercial, secured by real estate	430,179	419,633	407,264	399,551	381,371
Residential real estate	271,812	273,139	274,054	273,249	255,926
Consumer	17,925	18,510	19,283	19,718	17,296
Agricultural	12,589	13,479	16,016	13,434	9,816
Other, including deposit overdrafts	643	665	676	638	678
Deferred net origination costs	242	237	215	188	151
Loans, gross	778,714	770,938	762,833	754,736	701,685
Less allowance for loan losses	3,150	3,129	2,958	2,879	2,837
Loans, net	<u>\$ 775,564</u>	<u>767,809</u>	<u>759,875</u>	<u>751,857</u>	<u>698,848</u>
Total assets	\$ 1,285,922	1,280,531	1,275,171	1,249,363	1,129,497
Total deposits	1,120,208	1,087,160	1,103,513	1,084,033	973,725
Short-term borrowings	11,668	37,387	14,931	12,731	13,454
Long-term debt	789	5,947	6,016	6,085	6,153
Total shareholders' equity	142,933	140,108	140,851	137,698	128,576
Equity to assets ratio	11.12%	10.94%	11.05%	11.02%	11.38%
Loans to deposit ratio	69.52%	70.91%	69.13%	69.62%	72.06%

**Three Months Ended**

	<b>3/31/2016</b>	<b>12/31/2015</b>	<b>9/30/2015</b>	<b>6/30/2015</b>	<b>3/31/2015</b>
<b>Selected Balance Sheet Items, continued</b>					
Tangible common equity (TCE)	\$ 107,567	104,529	105,063	101,694	96,340
Tangible common assets (TCA)	1,250,556	1,244,952	1,239,383	1,213,359	1,097,261
TCE/TCA	8.60%	8.40%	8.48%	8.38%	8.78%
<b>Selected Average Balance Sheet Items</b>					
Investment securities and stock	\$ 389,648	406,423	385,353	360,750	313,279
Loans	\$ 772,204	764,440	760,159	737,021	699,959
Less allowance for loan losses	3,130	2,929	2,885	2,865	2,870
Net loans	\$ 769,074	761,511	757,274	734,156	697,089
Total assets	\$ 1,278,014	1,285,114	1,267,171	1,220,938	1,125,326
Total deposits	1,104,330	1,107,214	1,099,730	1,057,818	969,658
Short-term borrowings	20,710	20,290	13,450	12,803	13,824
Long-term debt	1,256	5,970	6,040	6,108	6,598
Total shareholders' equity	142,447	141,751	139,032	136,003	127,608
<b>Asset Quality</b>					
Net charge-offs	\$ 69	209	161	635	353
Other real estate owned	846	846	1,208	1,364	1,364
Non-accrual loans	3,328	1,723	2,254	1,961	3,972
Loans past due 90 days or more and still accruing	99	559	130	128	355
Total nonperforming loans	\$ 3,427	2,282	2,384	2,089	4,327
Net charge-offs to average loans	0.04%	0.11%	0.08%	0.35%	0.20%
Allowance for loan losses to total loans	0.40%	0.41%	0.39%	0.38%	0.40%
Nonperforming loans to total loans	0.44%	0.30%	0.31%	0.28%	0.62%
Nonperforming assets to total assets	0.33%	0.24%	0.28%	0.28%	0.50%
<b>Assets Under Management</b>					
LCNB Corp. total assets	\$ 1,285,922	1,280,531	1,275,171	1,249,363	1,129,497
Trust and investments (fair value)	274,297	283,193	258,675	272,209	264,122
Mortgage loans serviced	107,992	111,837	113,610	117,204	116,534
Business cash management	6,773	7,271	6,809	6,628	5,839
Brokerage accounts (fair value)	157,713	148,956	142,151	144,186	141,439
Total assets managed	<u>\$ 1,832,697</u>	<u>1,831,788</u>	<u>1,796,416</u>	<u>1,789,590</u>	<u>1,657,431</u>
<b>Non-GAAP Financial Measures</b>					
Accreted income on acquired loans	\$ 333	219	243	1,348	326
Amortization of acquired deposit premiums	\$ 27	34	46	211	186
Net income	\$ 2,964	2,884	2,633	3,123	2,834
Less (add) net gain (loss) on sales of securities, net of tax	245	108	0	146	73
Add merger-related expenses, net of tax	0	2	32	363	66
Core net income	\$ 2,719	2,778	2,665	3,340	2,827
Basic core earnings per share	\$ 0.27	0.28	0.27	0.34	0.30
Diluted core earnings per share	\$ 0.27	0.28	0.27	0.34	0.30
Adjusted return on average assets	0.85%	0.86%	0.83%	1.10%	1.01%
Adjusted return on average equity	7.66%	7.77%	7.60%	9.85%	8.86%
Core efficiency ratio (tax equivalent)	66.67%	64.60%	65.57%	58.23%	63.91%