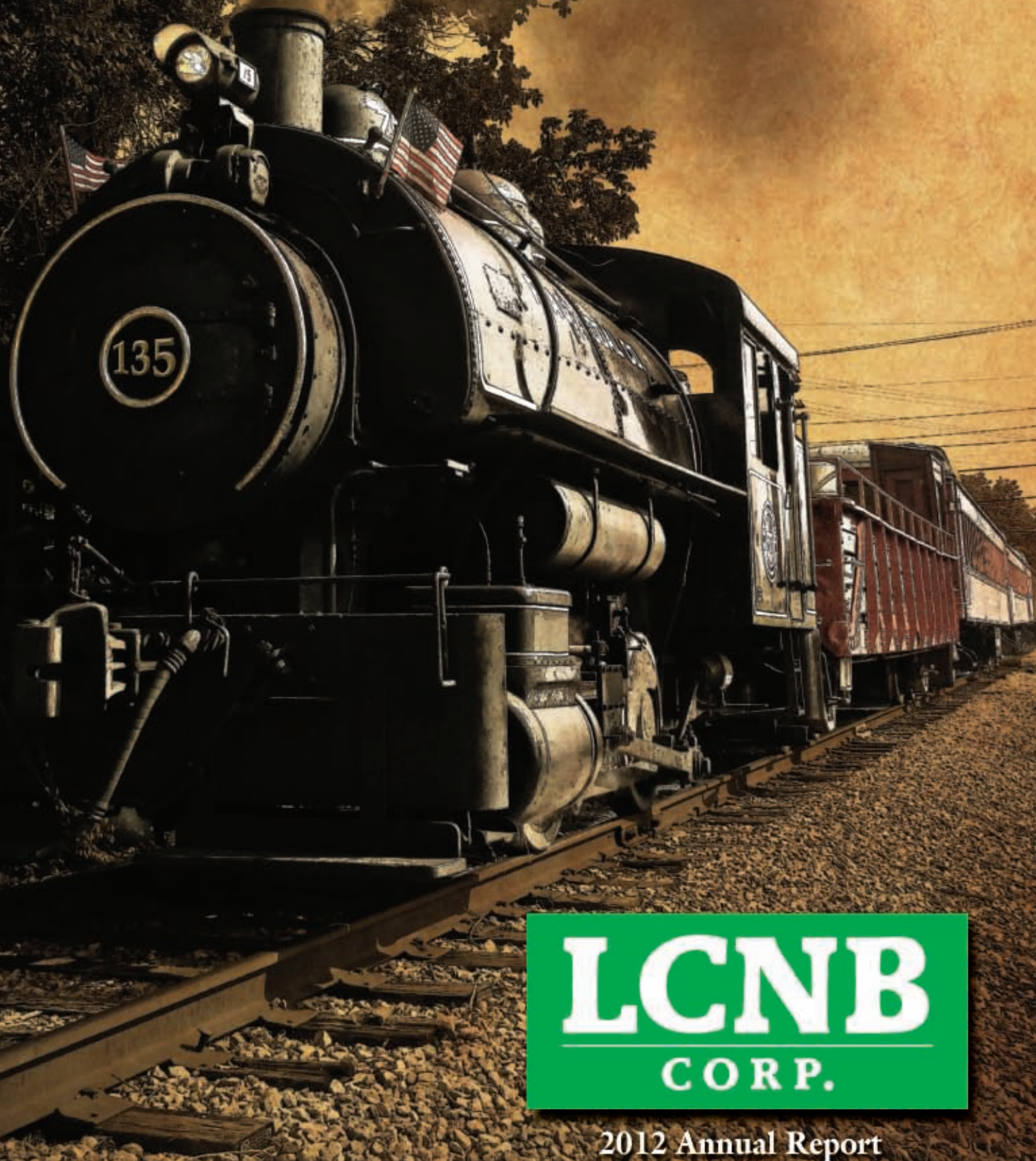


Community Banks.

The Economic Engine of Local Communities.



LCNB
CORP.

2012 Annual Report

Letter To Our Shareholders

Dear Shareholders:

We are proud to present to you the 2012 Annual Report for LCNB Corp. and our subsidiary LCNB National Bank. Your Bank concluded another successful year in its 135-year history. This year's report is titled, "Community Banks – The Economic Engine of Local Communities". We believe that a strong community bank is vital to the health of its community. Within this report you will find a summary of historical financial information, as well as, more detailed financials for those who like a more in-depth presentation.

Our bank was founded in 1877 to be the economic engine for Lebanon and surrounding Warren County. Like today, our founders and their community faced great uncertainty and needed a strong, stable financial institution to provide security and stimulus to the local economy. Throughout our history we cautiously and purposefully expanded into other communities to provide that same security and economic stimulus. Presently, we serve that role in eight counties with 31 offices. We strongly support the success of the communities we serve and strive to meet, not only economic needs, but quality of life needs, as well.

Since 2012 was a presidential election year, there was a lot of uncertainty about what direction the country and our economy might take in 2013. Although the election is over there is still a lot of uncertainty about how the tax

changes and the rising fiscal debt will affect the U.S. economy. The Federal Reserve's policy of maintaining low interest rates to stimulate economic growth has put pressure on banks' interest margins. Community banks still rely on that

margin to generate a large percentage of total income. LCNB management has recognized the importance of generating non-interest income to supplement interest margin income. One area generating non-interest income, is the trust department and investment services, which contributed over \$2.3 million during 2012, a 10% increase over 2011.

The continued success of these departments is an important part of the future growth of LCNB.

The financial results for 2012 include a return on average assets of 1.02% and a return on average equity of 10.22%. Net income was \$8.3 million, resulting in total basic earnings per share of \$1.23. Total shareholders' equity increased \$4 million from December 31, 2011 to December 31, 2012, an increase of 5.2%. Our capital remains in the "well capitalized" designation.

Although total net loans decreased by \$8 million, commercial real estate loans increased by just over \$11 million. Low interest rates in 2012 were reflected in robust mortgage activity. LCNB originated or refinanced \$24 million of 1-4 family mortgages for consumers in 2012. Another \$28 million of 1-4 family mortgages were originated and sold in the secondary market in 2012. Credit quality continued to improve in 2012. Net loan charge-offs were lower,



Letter To Our Shareholders

Continued

totaling \$.8 million compared to \$1.8 million in 2011. Non-accrual loans and loans past due 90-days or more and still accruing interest totaled \$2.4 million or 0.53% of total loans at December 31, 2012 compared to \$3.7 million or 0.80% of total loans at December 31, 2011. Despite low interest rates, deposits increased \$8 million during 2012 to \$671 million.

The winning formula for our bank continues to be maintaining a strong capital base, paying a regular dividend, strong underwriting of loans, and pursuing robust earnings.

One major event in 2012 was the negotiation of the purchase of Citizens National Bank of Chillicothe. The negotiations resulted in a successful merger agreement signed on October 9, 2012 and closed on January 11, 2013. LCNB National Bank now has approximately \$950 million in total assets and serves customers in eight counties with 31 offices. The LCNB Board and Management felt that the culture of both banks was very similar and the two banks would be stronger as one. As part of the merger agreement, John Kochensparger, Chairman of the Citizens National Bank Board, was offered a board seat with LCNB. John joined the LCNB Board on January 14, 2013. The remaining Citizens National Bank board members agreed to serve on an Advisory Board for 2013. The LCNB Board of Directors and management feel that measured growth is just one part of a strategy for the future success of LCNB.

In 2012 several projects were completed. The bank's phone system was upgraded with new equipment and enhanced connections between offices. As we expand, the importance of communication between our offices and with our customers become more critical in providing the best customer service. We continue to

believe that answering each call to the bank with a highly trained employee, not a machine, is one key to excellent customer service. The ability for customers to apply for consumer loans online was added to our website as a complement to our online mortgage application. We have also redesigned our website for 2013. All of our offices participated in the St. Jude Home Giveaway in the first half of 2012 by selling tickets and staffing a telethon for a chance to win a brand new home in the Maineville area. This charitable event raised almost \$650,000 to support the St. Jude Research Hospital's continued research for medical treatment and the care of severely ill children. The caring and generosity for others by our employees is a strength of LCNB.

Additional statistical data and information on our financial performance for 2012 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 or www.LCNBCorp.com.

The Annual Meeting for LCNB Corp. will be Tuesday, April 23, 2013 at 10:00 a.m. at our Main Office located at 2 North Broadway in Lebanon, Ohio. Proxy material is included with this initial 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



Kathleen Porter Stolle
Attorney



William H. Kaufman
Attorney



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



Anne E. Krehbiel
Attorney



George L. Leasure
Chairman
GMI Companies



Rick L. Blossom
Managing Partner
Reality Check, LLC



Steve P. Foster
President



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Anne E. Krehbiel
Attorney

Rick L. Blossom
Managing Partner,
Reality Check, LLC

Steve P. Foster
President

THE ECONOMIC ENGINE OF OUR LOCAL COMMUNITIES

LCNB National Bank's reputation as the "Economic Engine of our Local Communities" is one we earn every day. With this comes a certain expectation from our personal and business customers that we have the financial products and services they need, when they need them. LCNB builds its base of knowledge of its customers' financial needs while working to earn their trust, thereby making our communities stronger. The Bank, like the engine of the train, must put forth the extra power and effort to help customers move forward and succeed.

As a Community Bank, we help stoke the local economic engine by reinvesting the deposits of our customers back into their communities as loans. This is one of several original principles we still employ at LCNB. When our founders opened our doors 135 years ago, that was how business was conducted in the small farming community of Lebanon, Ohio. The practice of reinvesting deposits in our communities is as relevant today as it was in 1877.

Founded in 1877, LCNB National Bank in Lebanon, Ohio has grown to 31 offices in 8 counties.

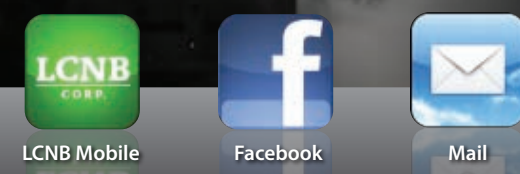


As a Community Bank, we help stoke the local economic engine by reinvesting the deposits of our customers back into their communities as loans.

As our world and technology continues to accelerate forward, LCNB works hard to stay out in front in its evolutionary quest to provide financial services and access whenever or wherever our customers need us. At LCNB, this quest for access is built upon a foundation of personal service, safety and security. Our staff answers each incoming phone call in person. Our bank officers make personal visits and calls on our customers. And, by reaching out and investing our time, we proactively make the effort to understand what our customers need before they ask. Personal service stokes our creativity. It enables us to search for solutions to our customers' problems and to help them embrace new opportunities. Like the coal car's purpose on the train, our consistent and attentive service provides the fuel to keep the local economy running.

The growth of LCNB as a successful community bank is tied directly to knowing our capabilities and understanding who we serve. This knowledge is powerful. It adds to the foundation built upon personal service, safety and security which enables the Bank to efficiently move forward to assist our customers, shareholders and employees reach their desired goals.

As we enter 2013, LCNB will harness the strength of our 31 offices to make the markets we serve better places to live and operate businesses. We will offer our knowledge, experience, financial products and personal service, just as we always have. And, we will bring our tradition of rolling up our sleeves and working closely with volunteer organizations that provide vital support services. We make this pledge based on 135 years of experience in serving generations of customers. As the "Economic Engine of a Community", we are expected to lead. All of us at LCNB National Bank wholeheartedly embrace this leadership responsibility.



Our Call Center and Electronic Services Department answers each incoming call in person. Their goal is to help customers find answers to their questions or direct them to people who can. They are the front line of our promise to deliver unmatched personal service every time a customer calls.

LCNB Officers

Name	Years with LCNB	Title	Years of Related Experience
Stephen P. Wilson	38	Chairman & CEO	41
Steve P. Foster	36	President	39
Bernard H. Wright, Jr.	35	Sr. Executive VP	38
Robert C. Haines, II	21	Executive VP	21
Matthew P. Layer	30	Executive VP	30
Leroy F. McKay	17	Executive VP	27
Eric J. Meilstrup	25	Executive VP	25
Kenneth R. Layer	30	Senior VP	30
Timothy J. Sheridan	23	Senior VP	36
Ann M. Smith	26	Senior VP	26
Stephen P. Anglin	12	Vice President	34
Brian N. Bausmith	26	Vice President	26
Peter G. Berninger	8	Vice President	30
Gene G. Bonny	2	Vice President	7
P. Stanley Castleman	7	Vice President	24
Kelly Haworth	4	Vice President	32
Mark Kennard	1	Vice President	9
Steven C. Lautenslager	23	Vice President	23
Kimberli R. Layer	23	Vice President	23
Ralph D. Mattingly	34	Vice President	41
Roger P. Mersch	7	Vice President	29
Patricia D. Mitchell	34	Vice President	34
Rebecca H. Roess	4	VP/Trust Officer	14
John Rost	6	Vice President	30
Bradley A. Ruppert	5	Vice President	14
Nathan Sachritz	4	Vice President	33
Lonnie D. Schear	15	Vice President	39
Connie A. Sears	10	Vice President	25
Pauletta I. Sears	23	Vice President	41
Deborah G. Stevens	11	Vice President	36
David A. Stitsinger	6	Vice President	34
Beverly K. Taylor	36	Vice President	36
David R. Theiss	14	Vice President	34
John E. Wetzig, III	24	Vice President	24
Melanie K. Crane	27	Trust Officer	27

Name	Years with LCNB	Title	Years of Related Experience
S. Diane Ingram	21	Trust Officer	21
Randy Bernhardt	6	Assistant VP	28
Amy L. Butler	21	Assistant VP	21
William E. Childers	14	Assistant VP	17
Karen M. Cramer	25	Assistant VP	25
Lisa E. Emmel	7	Assistant VP	23
Patricia S. Hogan	22	Assistant VP	22
Sherry L. Jackson	18	Assistant VP	18
Kimberly J. Johnson-Hall	32	Assistant VP	34
Annie S. Joseph	7	Assistant VP	15
Michael Lavatori	10	Assistant VP	24
Teresa A. McCurley	24	Assistant VP	24
Judith Neiheisel	6	Assistant VP	30
John L. Torbeck	3	Assistant VP	27
Elizabeth G. Vogeles	2	Assistant VP	31
Rhonda G. Wetzig	20	Assistant VP	20
Melissa M. Cordes	12	Branch Officer	18
Karen A. Day	18	Assistant Cashier	18
Lisa A. Gibson	10	Assistant Cashier	22
Christina L. Harris	17	Branch Officer	17
Terry J. Howard	23	Branch Officer	23
Kimberly B. Isaacs	17	Assistant Cashier	17
Mary Lynn Johnson	26	Assistant Cashier	26
M. Teresa Jenkins	9	Branch Officer	39
Ursula Keith	11	Branch Officer	15
Amy Kobes	11	Asst. Trust Officer	11
Paula L. Lee	9	Branch Officer	11
Michele McIntosh	23	Branch Officer	23
Angela Otis	12	Assistant Cashier	12
Patricia Q. Partch	9	Branch Officer	27
Julie Peters	10	Branch Officer	10
Janet M. Preston	17	Assistant Cashier	27
Betty Seibert	15	Branch Officer	23
Lenora Schoultheis	15	Branch Officer	42
Simone Walter	9	Assistant Cashier	9

Financial Highlights

For the Years Ended December 31,	(Dollars in thousands, except per share data)				
	2012	2011	2010	2009	2008
Income Statement					
Net interest income	\$ 25,049	25,706	25,697	24,838	20,977
Net income from continuing operations	8,270	7,322	9,133	7,687	6,427
Income from discontinued operations, net of tax	-	793	240	79	176
Net income	8,270	8,115	9,373	7,766	6,603
Net income available to common shareholders	8,270	8,115	9,373	6,658	6,603
Dividends declared per common share	0.64	0.64	0.64	0.64	0.64
Basic earnings per common share:					
Continuing operations	1.23	1.09	1.37	0.99	0.96
Discontinued operations	-	0.12	0.03	0.01	0.03
Diluted earnings per common share:					
Continuing operations	1.22	1.08	1.36	0.98	0.96
Discontinued operations	-	0.12	0.03	0.01	0.03
Balance Sheet					
Loans, net	\$450,346	458,331	452,350	457,418	451,343
Earning assets	732,968	736,119	706,226	678,055	599,825
Total assets	788,637	791,570	760,134	734,409	649,731
Total deposits	671,471	663,562	638,539	624,179	577,622
Short-term borrowings	13,756	21,596	21,691	14,265	2,206
Long-term debt	13,705	21,373	23,120	24,960	5,000
Total shareholders' equity	82,006	77,960	70,707	65,615	58,116
Per common share:					
Book value at year end	12.18	11.63	10.57	9.81	8.69
Performance Ratios					
Return on average assets	1.02%	1.02%	1.22%	1.07%	1.03%
Return on average shareholders' equity	10.22%	10.89%	13.36%	10.43%	11.35%

Condensed Consolidated Balance Sheets

At December 31, (Dollars in thousands)

	2012	2011
ASSETS:		
Cash and due from banks	\$11,260	12,449
Interest-bearing demand deposits	2,215	7,086
Total cash and cash equivalents	13,475	19,535
Investment securities:		
Available-for-sale, at fair value	258,506	254,006
Held-to-maturity, at cost	15,424	10,734
Federal Reserve Bank stock, at cost	949	940
Federal Home Loan Bank stock, at cost	2,091	2,091
Loans, net	450,346	458,331
Premises and equipment, net	16,564	17,346
Goodwill	5,915	5,915
Bank owned life insurance	16,915	14,837
Other assets	8,452	7,835
TOTAL ASSETS	\$788,637	791,570
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$133,848	106,793
Interest-bearing	537,623	556,769
Total deposits	671,471	663,562
Short-term borrowings	13,756	21,596
Long-term debt	13,705	21,373
Accrued interest and other liabilities	7,699	7,079
TOTAL LIABILITIES	706,631	713,610
SHAREHOLDERS' EQUITY:		
Preferred shares - no par value, authorized 1,000,000 shares, none outstanding	-	-
Common shares - no par value, authorized 12,000,000 shares, issued 7,485,527 and 7,460,494 shares at December 31, 2012 and 2011, respectively	27,107	26,753
Retained earnings	61,843	57,877
Treasury shares at cost, 753,627 and 755,771 shares at December 31, 2012 and 2011, respectively	(11,665)	(11,698)
Accumulated other comprehensive income, net of taxes	4,721	5,028
TOTAL SHAREHOLDERS' EQUITY	82,006	77,960
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$788,637	791,570

Condensed Consolidated Statements of Income

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

	2012	2011	2010
INTEREST INCOME:			
Interest and fees on loans	\$ 23,585	25,502	27,020
Interest on investment securities:			
Taxable	3,737	3,843	3,686
Non-taxable	2,441	2,571	3,126
Other investments	175	177	199
TOTAL INTEREST INCOME	29,938	32,093	34,031
INTEREST EXPENSE:			
Interest on deposits	4,317	5,702	7,613
Interest on short-term borrowings	16	28	27
Interest on long-term debt	556	657	694
TOTAL INTEREST EXPENSE	4,889	6,387	8,334
NET INTEREST INCOME	25,049	25,706	25,697
PROVISION FOR LOAN LOSSES	1,351	2,089	1,680
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	23,698	23,617	24,017
NON-INTEREST INCOME:			
Trust income	2,317	2,099	1,897
Service charges and fees on deposit accounts	3,605	3,739	3,904
Net gain on sales of securities	1,853	948	948
Bank owned life insurance income	578	596	1,389
Gains from sales of mortgage loans	506	177	496
Other operating income	190	205	253
TOTAL NON-INTEREST INCOME	9,049	7,764	8,887
NON-INTEREST EXPENSE:			
Salaries and employee benefits	11,614	11,743	11,271
Equipment expenses	1,100	1,038	889
Occupancy expense, net	1,671	1,761	1,875
State franchise tax	790	764	703
Marketing	526	480	448
FDIC premiums	405	545	958
ATM expense	620	553	513
Computer maintenance and supplies	524	565	456
Telephone expense	465	407	414
Contracted services	441	420	370
Other real estate owned	490	350	506
Other non-interest expense	3,036	3,223	2,874
TOTAL NON-INTEREST EXPENSE	21,682	21,849	21,277
INCOME BEFORE INCOME TAXES	11,065	9,532	11,627
PROVISION FOR INCOME TAXES	2,795	2,210	2,494
NET INCOME FROM CONTINUING OPERATIONS	8,270	7,322	9,133
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	-	793	240
NET INCOME	\$ 8,270	8,115	9,373
Basic earnings per common share:			
Continuing operations	\$ 1.23	1.09	1.37
Discontinued operations	-	0.12	0.03
Diluted earnings per common share:			
Continuing operations	1.22	1.08	1.36
Discontinued operations	-	0.12	0.03
Weighted average shares outstanding:			
Basic	6,717,357	6,692,385	6,687,500
Diluted	6,802,475	6,751,599	6,736,622

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
LCNB Corp.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of LCNB Corp. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, and consolidated statements of comprehensive income, shareholders' equity and cash flows (not included herein), for each of the three years in the period ended December 31, 2012; and in our report dated February 25, 2013, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

J. D. Cloud & Co. L.L.P.



Cincinnati, Ohio
February 25, 2013



Member
FDIC

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