

REFINITIV

DELTA REPORT

10-Q

LCNB - LCNB CORP

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 892

█ **CHANGES** 168

█ **DELETIONS** 280

█ **ADDITIONS** 444

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024** **June 30, 2024**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-35292

LCNB Corp.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

31-1626393

(I.R.S. Employer Identification Number)

2 North Broadway, Lebanon, Ohio 45036

(Address of principal executive offices, including Zip Code)

(513) 932-1414

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	LCNB	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares outstanding of the issuer's common stock, without par value, as of **May 9, 2024** August 6, 2024 was **14,142,960** **14,152,188** shares.

LCNB CORP. AND SUBSIDIARIES

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Glossary of Abbreviations and Acronyms

ACL	Allowance for Credit Losses
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bank	LCNB National Bank
CECL	Current expected credit losses
CNNB	Cincinnati Bancorp, Inc.
Company	LCNB Corp. and its consolidated subsidiaries as a whole
DCF	Discounted Cash Flow
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EFBI	Eagle Financial Bancorp, Inc.
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFIEC	Financial Institutions Examination Council
FHLB	Federal Home Loan Bank
FOMC	Federal Open Market Committee of the Federal Reserve System
FRB	Federal Reserve Bank
GAAP	Generally Accepted Accounting Principles
IRA	Individual Retirement Account
LCNB	LCNB Corp. and its consolidated subsidiaries as a whole
LDA	Loss Driver Analysis
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
OCC	Office of the Comptroller of the Currency
PCD	Purchased Credit Deteriorated
PD	Probability of Default
SEC	Securities and Exchange Commission
TDR	Troubled Debt Restructuring

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LCNB CORP. AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited, dollars Dollars in thousands)

	March 31, 2024	December 31, 2023
ASSETS:		
Cash and due from banks		
Cash and due from banks		
Cash and due from banks		
Interest-bearing demand deposits		
Total cash and cash equivalents		



The accompanying notes to consolidated condensed financial statements are an integral part of these statements.

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Uaudited)





The accompanying notes to consolidated condensed financial statements are an integral part of these statements.

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In thousands)
 (Unaudited)

Three
 Months
 Ended
 March
 31,

	Three Months Ended March 31, Three Months Ended March 31,	Three Months Ended June 30, June 30,	2024	2023	2024	2023
Net income						
Other comprehensive income (loss):		Other comprehensive income (loss):			Other comprehensive income (loss):	
Net unrealized gain (loss) on available-for-sale debt securities (net of tax expense (benefit) of \$(342) and \$1,316 for the three months ended March 31, 2024 and 2023, respectively)						
Reclassification adjustment for net realized (gains) losses on sales of available-for-sale debt securities included in net income (net of tax expense (benefit) of \$(45) and \$0 for the three months ended March 31, 2024 and 2023, respectively)						
Net unrealized gain (loss) on available-for-sale debt securities (net of tax expense (benefit) of \$161 and \$(736) for the three months ended June 30, 2024 and 2023, respectively, and \$(181) and \$580 for the six months ended June 30, 2024 and 2023, respectively)						
Reclassification adjustment for net realized (gains) losses on sales of available-for-sale debt securities included in net income (net of tax expense (benefit) of \$— and \$(45) for the three and six months ended June 30, 2024, respectively)						
Other comprehensive income (loss), net of tax						
Other comprehensive income (loss), net of tax						
Other comprehensive income (loss), net of tax						
TOTAL COMPREHENSIVE INCOME						

The accompanying notes to consolidated condensed financial statements are an integral part of these statements.

LCNB CORP. AND SUBSIDIARIES CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY (Dollars in thousands, except per share data) (Unaudited)												
	Common Shares Outstanding	Common Stock	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Common Shares Outstanding	Common Stock	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Three Months Ended June 30, 2024												
Balance at April 1, 2024												
Balance at April 1, 2024												
Balance at April 1, 2024												
Net income												
Other comprehensive income, net of taxes												
Dividend Reinvestment and Stock Purchase Plan												
Stock issued for acquisition of Eagle Financial Bancorp, Inc.												

Compensation expense relating to restricted stock
Compensation expense relating to restricted stock
Compensation expense relating to restricted stock
Common stock dividends, \$0.22 per share
Balance at June 30, 2024
<u>Three Months Ended March 31, 2024</u>
<u>Three Months Ended March 31, 2024</u>
<u>Three Months Ended March 31, 2024</u>
<u>Six Months Ended June 30, 2024</u>
<u>Six Months Ended June 30, 2024</u>
<u>Six Months Ended June 30, 2024</u>
Balance at January 1, 2024
Balance at January 1, 2024
Balance at January 1, 2024
Net income
Other comprehensive loss, net of taxes
Dividend Reinvestment and Stock Purchase Plan
Stock issued for acquisition of Eagle Financial Bancorp, Inc.
Shares issued for restricted stock awards
Shares issued for restricted stock awards
Shares issued for restricted stock awards
Compensation expense relating to restricted stock
Compensation expense relating to restricted stock
Compensation expense relating to restricted stock
Common stock dividends, \$0.22 per share
Balance at March 31, 2024
Common stock dividends, \$0.44 per share
Balance at June 30, 2024
<u>Three Months Ended June 30, 2023</u>
<u>Three Months Ended June 30, 2023</u>
<u>Three Months Ended June 30, 2023</u>
Balance at April 1, 2023
Balance at April 1, 2023
Balance at April 1, 2023
Net income
Other comprehensive loss, net of taxes
Dividend Reinvestment and Stock Purchase Plan
Repurchase of common stock
Compensation expense relating to restricted stock

Compensation expense relating to restricted stock
Compensation expense relating to restricted stock
Common stock dividends, \$0.21 per share
Balance at June 30, 2023
Three Months Ended March 31, 2023
Three Months Ended March 31, 2023
Three Months Ended March 31, 2023
Six Months Ended June 30, 2023
Six Months Ended June 30, 2023
Six Months Ended June 30, 2023

Balance at January 1, 2023

Balance at January 1, 2023

Balance at January 1, 2023

Cumulative change in accounting principle - ASC 326

Balance at January 1, 2023, adjusted

Net income

Other comprehensive income, net of taxes

Dividend Reinvestment and Stock Purchase Plan

Repurchase of common stock

Shares issued for restricted stock awards

Shares issued for restricted stock awards

Shares issued for restricted stock awards

Compensation expense relating to restricted stock

Compensation expense relating to restricted stock

Compensation expense relating to restricted stock

Common stock dividends, \$0.21 per share
--

Balance at March 31, 2023

Common stock dividends, \$0.42 per share
--

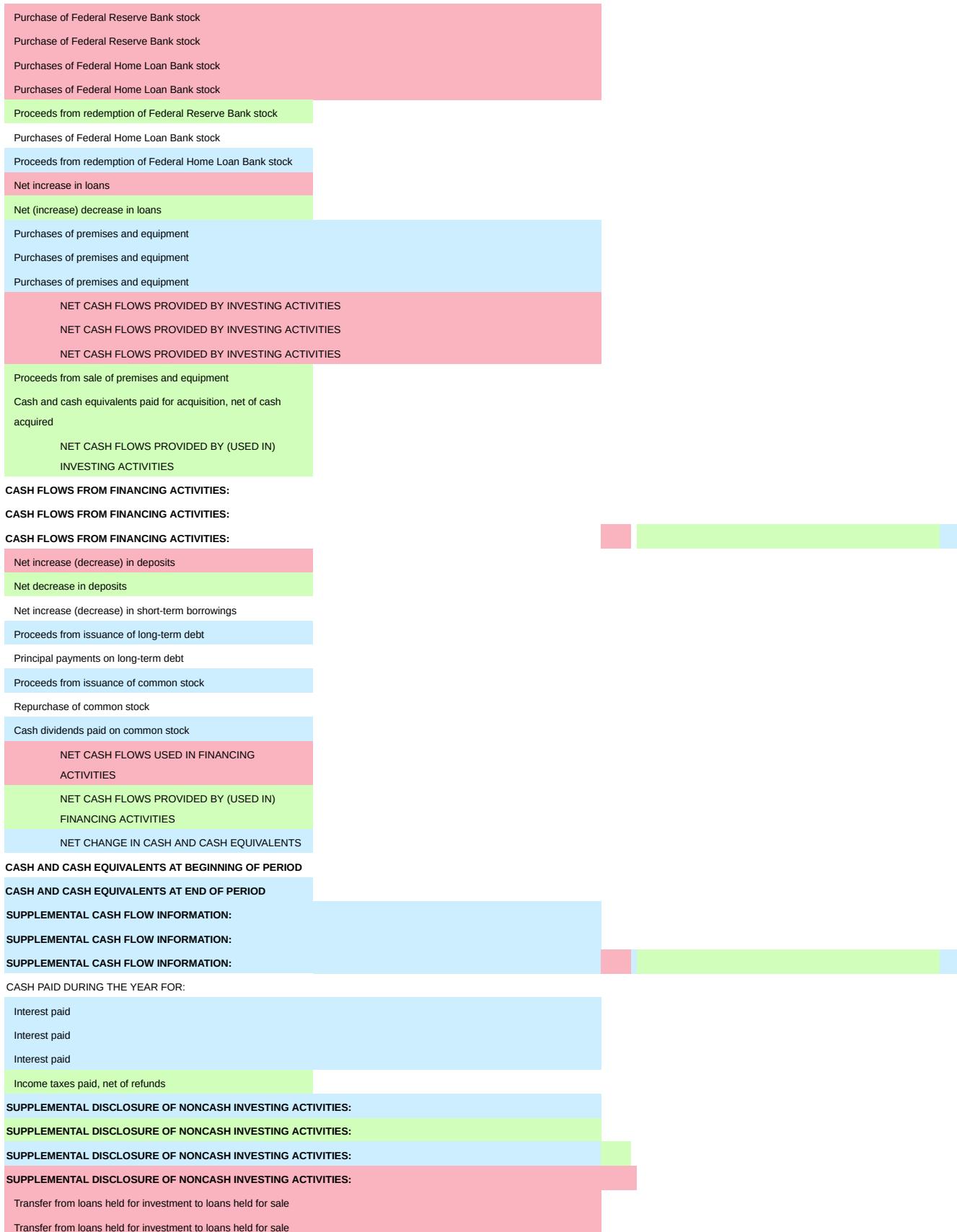
Balance at June 30, 2023

The accompanying notes to consolidated condensed financial statements are an integral part of these statements.

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
 (In thousands)
 (Unaudited)

	2024	2023	2024	2023	Six Months Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income					

Net income		
Net income		
Adjustments to reconcile net income to net cash flows from operating activities:	Adjustments to reconcile net income to net cash flows from operating activities:	Adjustments to reconcile net income to net cash flows from operating activities:
Depreciation, amortization, and accretion		
Provision for (recovery of) credit losses		
Deferred income tax provision (benefit)		
Increase in cash surrender value of bank-owned life insurance		
Realized and unrealized losses from equity securities, net		
Realized and unrealized losses from equity securities, net		
Realized and unrealized losses from equity securities, net		
Realized losses from sales of debt securities, available-for-sale		
Realized (gains) losses from sales of premises and equipment		
Origination of mortgage loans for sale		
Origination of mortgage loans for sale		
Origination of mortgage loans for sale		
Origination of mortgage loans for sale		
Realized gains from sales of loans		
Realized gains from sales of mortgage loans		
Proceeds from sales of mortgage loans		
Realized losses from sales of acquired loans		
Proceeds from sales of acquired loans		
Compensation expense related to restricted stock		
Changes in:	Changes in:	Changes in:
Accrued interest receivable		
Other assets		
Other liabilities		
TOTAL ADJUSTMENTS		
NET CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES		
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of equity securities		
Proceeds from sales of debt securities, available-for-sale		
Proceeds from maturities and calls of debt securities:		
Available-for-sale		
Available-for-sale		
Available-for-sale		
Held-to-maturity		
Purchases of equity securities		
Purchases of debt securities:		
Available-for-sale		
Available-for-sale		
Available-for-sale		
Held-to-maturity		
Purchase of Federal Reserve Bank stock		



Transfer from loans held for investment to loans held for sale
Transfer from loans held-for-investment to loans held-for-sale
Transfer from loans held-for-investment to loans held-for-sale
Transfer from loans held-for-investment to loans held-for-sale
Right-of-use assets obtained in exchange for lease obligations

The accompanying notes to consolidated condensed financial statements are an integral part of these statements.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

BASIS OF PRESENTATION

The accompanying unaudited interim consolidated condensed financial statements include LCNB Corp. and its wholly-owned subsidiaries: LCNB National Bank and LCNB Risk Management, Inc., its captive insurance company. All material intercompany transactions and balances are eliminated in consolidation.

The unaudited interim consolidated condensed financial statements have been prepared in accordance with U.S. GAAP for interim financial information and the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation of the Company's financial position, results of consolidated operations, and cash flows for the interim periods, as required by Regulation S-X, Rule 8-03.

The consolidated condensed balance sheet as of December 31, 2023 has been derived from the audited consolidated balance sheet as of that date.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Results of operations for the three and six months ended **March 31, 2024** June 30, 2024 are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in LCNB's 2023 Annual Report on Form 10-K filed with the SEC.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards ("FASB") Accounting Standards Update ("ASU") No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting"

ASU No. 2020-04 was issued in March 2020 and provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Originally, the amendments in this update were effective for all entities as of March 12, 2020 through December 31, 2022. ASU No. 2022-06, "Reference

Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848" extended the sunset date from December 31, 2022 to

December 31, 2024. LCNB has adopted the standard and utilized the LIBOR transition relief allowed under ASU 2020-04 and ASU 2020-06. The impact was immaterial, as all loans indexed to LIBOR were transitioned to another referenced index, predominately the Secured Overnight Financing Rate ("SOFR") for one, three, and six months. In all instances, LCNB was able to meet the criteria for the practical expedients and there was no impact on its results of consolidated operations or financial position.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 1 - BASIS OF PRESENTATION (continued)

ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC 326")

The Company adopted ASC 326 on January 1, 2023. It significantly changed guidance for recognizing impairment of financial instruments. Previous guidance required an "incurred loss" methodology for recognizing credit losses that delayed recognition until it was probable a loss had been incurred. ASC 326 replaced the incurred loss impairment methodology with a new "current expected credit loss" ("CECL") methodology that reflects expected credit losses over the lives of the credit instruments and requires consideration of a broader range of information to estimate credit losses. ASC 326 requires an organization to estimate all expected credit losses for financial assets measured at amortized cost, including loans and held-to-maturity debt securities, based on historical experience, current conditions, and reasonable and supportable forecasts. It also applies to off-balance sheet credit

exposures, such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments. ASC 326 also made changes to the accounting for credit losses on available-for-sale debt securities. Additional disclosures are required.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 1 - BASIS OF PRESENTATION (continued)

LCNB adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable guidance. The following table shows the impact of adopting ASC 326 on January 1, 2023 (in thousands):

	As Reported Pre-ASC 326	Impact of ASC 326 Adoption	As Reported Under ASC 326
Assets:			
Loans, gross of allowance	\$ 1,401,278	341	1,401,619
ACL on loans	(5,646)	(2,196)	(7,842)
ACL on debt securities, held to maturity	—	(7)	(7)
Deferred tax assets, net	6,639	511	7,150
Liabilities:			
ACL on off-balance sheet credit exposures	—	571	571
Shareholders' Equity:			
Retained earnings	139,249	(1,922)	137,327

Federal banking regulatory agencies allow an optional phase-in period of three years for banks to absorb the impact to regulatory capital of implementing CECL. LCNB has elected not to exercise this option and the full impact of adopting ASC 326 is included in regulatory capital as of **March 31, 2024** **June 30, 2024**. Adoption of the ASC did not materially affect LCNB's regulatory capital ratios.

ASU No. 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures"

ASU No. 2022-02 was issued in March 2022 and became effective for LCNB on January 1, 2023. These amendments eliminated previous TDR recognition and measurement guidance and, instead, required that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance disclosure requirements and introduce new disclosure requirements for certain modifications to borrowers experiencing financial difficulties. Additionally, the amendments require the disclosure of current-period gross charge-offs by year of origination. Adoption of ASU No. 2022-02 did not have a material impact on LCNB's results of consolidated operations or financial position.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 1 - BASIS OF PRESENTATION (continued)

ASU No. 2023-02, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a Consensus of the Emerging Issues Task Force)"

ASU No. 2023-02 was issued in March 2023 and became effective for LCNB on January 1, 2024. It allows reporting entities the option to use the proportional amortization method to account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met, regardless of the tax credit program from which the income tax credits are received. The proportional amortization method was previously limited to Low-Income Housing Tax Credit investments. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense (benefit). Adoption of ASU No. 2023-02 did not have a material impact on LCNB's results of consolidated operations or financial position.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 1 - BASIS OF PRESENTATION (continued)

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

From time to time the FASB issues an ASU to communicate changes to U.S. GAAP. The following information provides brief summaries of newly issued but not yet effective ASUs that could have an effect on LCNB's financial position or results of consolidated operations:

ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"

ASU No. 2023-07 was issued in November 2023 and changes the requirements for segment disclosures, primarily through enhancing disclosure requirements for significant segment expenses, enhancing interim disclosure requirements, clarifying circumstances in which an entity can disclose multiple segment measures of profit or loss, providing new segment disclosure requirements for entities with a single reportable segment, and modifying other disclosure requirements. A public entity should apply the amendments retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. **LCNB does not expect adoption of ASU No. 2023-07 will have a material impact on its results of consolidated operations or financial position.**

ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures."

ASU No. 2023-09 was issued in December 2023. The amendments require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation, and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). The amendments require that all entities disclose on an annual basis the following information about income taxes paid: (1) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes; and (2) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amendments also require that all entities disclose the following information: (1) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign; and (2) income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The ASU is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. LCNB will adopt this ASU for the reporting period beginning January 1, 2025, and does not expect the amendments to have a material impact to the financial statements of the Company.

ASU 2024-01 "Compensation - Stock Compensation (Topic 718) - Scope Application of Profits Interest and Similar Awards,"

ASU No. 2024-01 was issued in March 2024 and clarifies how an entity determines whether a profits interest or similar award is within the scope of Topic 718 or is not a share-based payment arrangement and, therefore, is within the scope of other guidance. ASU 2024-01 provides an illustrative example with multiple fact patterns and also amends certain language in the "Scope" and "Scope Exceptions" sections of Topic 718 to improve its clarity and operability without changing the guidance. Entities can apply the amendments either retrospectively to all prior periods presented in the financial statements or prospectively to profits interest and similar awards granted or modified on or after the date of adoption. If prospective application is elected, an entity must disclose the nature of and reason for the change in accounting principle. ASU 2024-01 is effective January 1, 2025, including interim periods, and is not expected to have a material impact to the financial statements of the Company.

LCNB CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(Continued)

NOTE 2 - BUSINESS COMBINATIONS

Cincinnati Bancorp, Inc.

On November 1, 2023, LCNB acquired Cincinnati Bancorp, Inc. ("CNB"), the holding company for Cincinnati Federal, a federally chartered stock savings and loan association. Under the terms of the definitive merger agreement, CNB merged with and into LCNB Corp., immediately followed by the merger of Cincinnati Federal with and into LCNB National Bank. CNB operated four full-service branch offices in Cincinnati, Ohio and 1 full-service office in Florence, Kentucky, which became offices of LCNB after the merger. The merger significantly increased LCNB's existing presence in the Cincinnati market and expanded LCNB's community banking franchise across the Ohio River into the Northern Kentucky market.

CNB results of operations were included in LCNB's results beginning November 1, 2023.

Under the terms of the merger agreement, CNB shareholders had the opportunity to elect to receive either 0.9274 shares of LCNB Corp. stock or \$17.21 in cash for each share of CNB common stock owned, subject to the limitation that 80% of the consideration be in the form of LCNB Corp. common stock and 20% of the consideration be in the form of cash. The fair value of the common stock issued as part of the consideration was determined on the basis of the closing price of LCNB's LCNB Corp.'s common stock on the acquisition date.

LCNB CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(Continued)

NOTE 2 - BUSINESS COMBINATIONS (continued)

The following table summarizes the fair value of the total consideration transferred as a part of the CNB acquisition and the fair value of identifiable assets acquired and liabilities assumed as of the effective date of the transaction originally reported at December 31, 2023 and as adjusted at June 30, 2024 (in thousands):

		December 31, 2023	Adjustments	June 30, 2024
Consideration:				
Cash consideration				
Cash consideration				
Cash consideration				\$ 9,475
Common stock (2,042,598 shares issued at \$13.99 per share)		Common stock (2,042,598 shares issued at \$13.99 per share)		28,576
Fair value of total consideration transferred				38,051
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents				
Debt securities, available-for-sale				
Federal Home Loan Bank stock				
Loans, net				
Premises and equipment				
Operating lease right-of-use assets				
Core deposit and other intangibles				
Bank owned life insurance				
Deferred income taxes				
Other assets				
Total identifiable assets acquired				
Liabilities Assumed:				
Liabilities Assumed:				
Deposits				
Deposits				
Deposits				
Short-term borrowings				
Long-term debt				
Operating lease liabilities				

The fair value and gross contractual amounts of non-PCD loans as of the acquisition date was \$231.9 million and \$258.6 million, respectively. LCNB recorded a provision for credit losses on these loans of \$1,722,000.

As permitted by ASC No. 805-10-25, *Business Combinations*, the above estimated amounts may be adjusted up to one year after the closing date of the transaction to reflect any new information obtained about facts and circumstances existing at the acquisition date. As such, any changes in the estimated fair value of assets, including acquired loans, will be recognized in the period the adjustment is identified. Goodwill increased by \$50,000 during The loan adjustment in the first quarter 2024 primarily table above was due to valuation adjustments a fair value adjustment to other assets.

deferred fees and costs on loans acquired.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 2 - BUSINESS COMBINATIONS (continued)

The amount of goodwill recorded reflects LCNB's expansion in the Cincinnati market and related synergies that are expected to result from the acquisition and represents the excess purchase price over the estimated fair value of the net assets acquired. The goodwill will not be amortizable on LCNB's financial records and will not be deductible for tax purposes. Goodwill will be subject to an annual test for impairment and the amount impaired, if any, will be charged to expense at the time of impairment. The core deposit intangible will be amortized over the estimated weighted average economic life of the various core deposit types, which is ten years.

Direct expenses related to the CNNB acquisition totaled \$477,000 and \$49,000 and \$323,000 during the three and six months ended March 31, 2024 and June 30, 2024, respectively, and totaled \$390,000 and \$415,000 during the three and six months ended June 30, 2023, respectively. They were expensed as incurred and are recorded as merger-related expenses in the consolidated statements of income.

Eagle Financial Bancorp, Inc.

On April 12, 2024, LCNB acquired Eagle Financial Bancorp, Inc. ("EFBI"), the holding company for EAGLE.bank. EAGLE.bank, an Ohio state-chartered bank. Under the terms of the definitive merger agreement, EFBI merged with and into LCNB Corp., immediately followed by the merger of EAGLE.bank with and into LCNB National Bank. EAGLE.bank operated three full-service banking offices in Cincinnati, Ohio, which became offices of LCNB after the merger. This transaction increases LCNB's presence in the Cincinnati market.

Subject to the terms of the merger agreement, EFBI shareholders had the opportunity to elect to receive either 1.1401 shares of LCNB Corp. stock, \$19.10 per share in cash for each share of EFBI common stock owned, or a combination thereof subject to at least 60%, but not more than 70%, of the shares of EFBI being exchanged for LCNB common stock. As of the fair value of December 31, 2023, EFBI reported 1,342,275 shares of the common stock outstanding, issued as well as 115,807 options with a weighted average strike price of \$16.18 per share (each option carries the right to purchase one EFBI share). Any unexercised LCNB's common stock options of EFBI were canceled prior to the effective time of the merger in exchange for a cash payment per option equal to the difference between \$19.10 and the exercise price of the option. acquisition date.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 2 - BUSINESS COMBINATIONS (continued)

The following table summarizes the fair value of the total consideration transferred as a part of the EFBI acquisition and the fair value of identifiable assets acquired and liabilities assumed as of the effective date of the transaction (in thousands):

Consideration:				
Cash consideration				
Cash consideration				
Cash consideration		\$10,256		\$ 10,256
Common stock (918,128 shares issued at \$14.04 per share)	Common stock (918,128 shares issued at \$14.04 per share)	12,891	Common stock (918,128 shares issued at \$14.04 per share)	12,891
Fair value of total consideration transferred	Fair value of total consideration transferred	\$23,147	Fair value of total consideration transferred	23,147
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Identifiable Assets Acquired:				
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents				
Debt securities, available-for-sale				
Federal Home Loan Bank stock				
Loans, net				
Premises and equipment				
Operating lease right-of-use assets				
Core deposit and other intangibles				
Bank owned life insurance				
Deferred income taxes				
Other assets				
Total identifiable assets acquired				
Liabilities Assumed:				
Liabilities Assumed:				
Liabilities Assumed:				
Deposits				
Deposits				
Deposits				
Short-term borrowings				
Operating lease liabilities				
Operating lease liabilities				
Operating lease liabilities				
Other liabilities				
Total liabilities assumed				
Total Identifiable Net Assets Acquired				
Total Identifiable Net Assets Acquired				
Total Identifiable Net Assets Acquired				

Goodwill Resulting From Merger
Goodwill Resulting From Merger
Goodwill Resulting From Merger

Calculation The fair value and gross contractual amounts of non-PCD loans as of the acquisition date was \$101.7 million and \$112.5 million, respectively. LCNB recorded a provision for credit losses on these loans of \$763,000.

As permitted by ASC No. 805-10-25, Business Combinations, the above estimated amounts may be adjusted up to one year after the closing date of the transaction to reflect any new information obtained about facts and circumstances existing at the acquisition date. As such, any changes in the estimated fair value of assets will be recognized in the period the adjustment is identified.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 2 - BUSINESS COMBINATIONS (continued)

The amount of goodwill recorded reflects LCNB's expansion in the Cincinnati market and related synergies that are expected to result from the acquisition and represents the excess purchase price over the estimated fair value of the net assets acquired in this merger transaction. The goodwill will not be amortizable on LCNB's financial records and will not be deductible for tax purposes. Goodwill will be subject to an annual test for impairment and the amount impaired, if any, will be charged to expense at the time of impairment. The core deposit intangible will be amortized over the estimated weighted average economic life of the various core deposit types, which is in process.

EFBI had approximately \$174.3 million in assets, \$140.4 million in net loans, \$136.7 million of deposits, and \$26.0 million in consolidated stockholders' equity as of December 31, 2023, nine years.

Direct expenses related to the EFBI acquisition totaled \$298,000 \$2,271,000 and \$2,772,000 during the three and six months ended March 31, 2024 June 30, 2024, respectively, and totaled \$25,000 and \$25,000 during the three and six months ended June 30, 2023, respectively. They were expensed as incurred and are recorded as merger-related expenses in the consolidated statements of income.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 3 - INVESTMENT SECURITIES

The amortized cost and estimated fair value of debt securities at March 31, 2024 June 30, 2024 and December 31, 2023 are summarized as follows (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2024								
June 30, 2024								
Debt Securities, Available-for-Sale:								
Debt Securities, Available-for-Sale:								
Debt Securities, Available-for-Sale:								
U.S. Treasury notes								
U.S. Treasury notes								
U.S. Treasury notes								
U.S. Agency notes								
Corporate bonds								
U.S. Agency mortgage-backed securities								
Municipal securities:								
Non-taxable								
Non-taxable								
Non-taxable								
Taxable								
Debt Securities, Held-to-Maturity:								
Debt Securities, Held-to-Maturity:								

Debt Securities, Held-to-Maturity:

Municipal securities:

Municipal securities:

Municipal securities:

Non-taxable

Non-taxable

Non-taxable

Taxable

\$

December 31, 2023December 31, 2023December 31, 2023**Debt Securities, Available-for-Sale:****Debt Securities, Available-for-Sale:****Debt Securities, Available-for-Sale:**

U.S. Treasury notes

U.S. Treasury notes

U.S. Treasury notes

U.S. Agency notes

Corporate Bonds

U.S. Agency mortgage-backed securities

Municipal securities:

Non-taxable

Non-taxable

Non-taxable

Taxable

Debt Securities, Held-to-Maturity:**Debt Securities, Held-to-Maturity:****Debt Securities, Held-to-Maturity:**

Municipal securities:

Municipal securities:

Municipal securities:

Non-taxable

Non-taxable

Non-taxable

Taxable

\$

=

The Company estimated the expected credit losses at **March 31, 2024** **June 30, 2024** and December 31, 2023 to be immaterial based on the composition of the securities portfolio.

LNCB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 3 - INVESTMENT SECURITIES (continued)

Information concerning debt securities with gross unrealized losses at **March 31, 2024** **June 30, 2024** and December 31, 2023, aggregated by length of time that individual securities have been in a continuous loss position, is as follows (in thousands):

	Less than Twelve Months		Twelve Months or Greater		Less than Twelve Months		Twelve Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

<u>March 31, 2024</u>
<u>June 30, 2024</u>

Available-for-Sale:

Available-for-Sale:

Available-for-Sale:

U.S. Treasury notes

U.S. Treasury notes

U.S. Treasury notes

U.S. Agency notes

Corporate bonds

U.S. Agency mortgage-backed securities

Municipal securities:

Non-taxable

Non-taxable

Non-taxable

Taxable

Held-to-Maturity:

Held-to-Maturity:

Held-to-Maturity:

Municipal securities:

Municipal securities:

Municipal securities:

Non-taxable

Non-taxable

Non-taxable

Taxable

\$

December 31, 2023

December 31, 2023

December 31, 2023

Available-for-Sale:

Available-for-Sale:

Available-for-Sale:

U.S. Treasury notes

U.S. Treasury notes

U.S. Treasury notes

U.S. Agency notes

Corporate Bonds

U.S. Agency mortgage-backed securities

Municipal securities:

Non-taxable

Non-taxable

Non-taxable

Taxable

Held-to-Maturity:

Held-to-Maturity:

Held-to-Maturity:

Municipal securities:

Municipal securities:

Municipal securities:

Non-taxable	
Non-taxable	
Non-taxable	
Taxable	
	\$
	=

At **March 31, 2024** **June 30, 2024**, LCNB's securities portfolio consisted of **168** **175** securities, **161** **165** of which were in an unrealized loss position. At December 31, 2023, LCNB's securities portfolio consisted of 207 securities, 176 of which were in an unrealized loss position. After considering the issuers of the securities, LCNB management determined that that the unrealized losses were due to changing interest rate environments. **As LCNB had no intent at March 31, 2024** **June 30, 2024** to sell its debt securities before recovery of their cost basis and as it was more likely than not that it will not be required to sell its debt securities before recovery of the their cost basis, no unrealized losses were deemed to represent credit losses.

basis.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 3 - INVESTMENT SECURITIES (continued)

Each quarter, LCNB performs an analysis to determine if any of the unrealized losses on available-for-sale debt securities are comprised of credit losses as compared to unrealized losses due to market interest rate adjustments. The assessment includes a review of the unrealized loss for each security issuance held; the financial condition and near-term prospects of the issuer, including external credit ratings and recent downgrades; and LCNB's ability and intent to hold the security for a period of time sufficient for a recovery in value. LCNB also considers the extent to which the securities are issued by the federal government or its agencies and any guarantee of issued amounts by those agencies. The portfolio continues to consist of a mix of fixed and floating-rate, high quality securities, largely rated AA (or better), displaying an overall effective duration of approximately 3.4 years. No credit losses were determined to be present as of June 30, 2024, as there was no credit quality deterioration noted. Therefore, no provision for credit losses on available-for-sale debt securities was recognized for the second quarter of 2024.

Debt securities with a market value of **\$172.4 million** **\$144.5 million** and **\$124.4 million** at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, were pledged to secure public deposits and for other purposes required or as permitted by law.

Excluding holdings in U.S. Treasury securities and U.S. Government Agencies, there were no investments in securities of any issuer that exceeded 10% of LCNB's consolidated shareholders' equity at **March 31, 2024** **June 30, 2024**.

Contractual maturities of debt securities at **March 31, 2024** **June 30, 2024** were as follows (in thousands). Actual maturities may differ from contractual maturities when issuers have the right to call or prepay obligations.

	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity		
	Amortized Cost	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year									
Due from one to five years									
Due from five to ten years									
Due after ten years									
U.S. Agency mortgage-backed securities									

Certain information concerning the sale of debt securities available-for-sale for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 was as follows (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Proceeds from sales						
Gross realized gains						
Gross realized losses						

Realized gains or losses from the sale of securities are computed using the specific identification method.

Equity securities with a readily determinable fair value are carried at fair value, with changes in fair value recognized in other operating income in the consolidated condensed statements of income. Equity securities without a readily determinable fair value are measured at cost minus impairment, if any, plus or minus any changes resulting from observable price changes in orderly transactions, as defined, for identical or similar investments of the same issuer. LCNB was not aware of any impairment or observable price change adjustments that needed to be made at **March 31, 2024** **June 30, 2024** on its investments in equity securities without a readily determinable fair value.

The amortized cost and estimated fair value of equity securities with a readily determinable fair value at March 31, 2024 and December 31, 2023 are summarized as follows (in thousands):

	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mutual Funds	\$ 1,423	1,236	1,415	1,240
Equity Securities	10	98	10	96
Total equity securities with a readily determinable fair value	\$ 1,433	1,334	1,425	1,336

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 3 - INVESTMENT SECURITIES (continued)

The amortized cost and estimated fair value of equity securities with a readily determinable fair value at June 30, 2024 and December 31, 2023 are summarized as follows (in thousands):

	June 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mutual Funds	\$ 1,432	1,240	1,415	1,240
Equity Securities	10	90	10	96
Total equity securities with a readily determinable fair value	\$ 1,442	1,330	1,425	1,336

Certain information concerning changes in the fair value of equity securities with a readily determinable fair value for the three and **three** **six** months ended **March 31, 2024** **June 30, 2024** and 2023 were as follows (in thousands):

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended June 30,	Six Months Ended June 30,	
Net losses recognized during the period on equity securities						2024
Less net losses recognized during the period on equity securities sold during the period						2024
Net unrealized gains (losses) recognized during the reporting period on equity securities still held at period end						2023 2024 2023 2024 2023 2023

LCNB is a member of the FHLB system and its regional FRB. Members are required to own a certain amount of stock based on predetermined formulas. FHLB and Federal Reserve Bank stock are carried at cost, which is equal to par value, and periodically evaluated for impairment based on ultimate recovery of par value.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 - LOANS

Major classifications of loans at **March 31, 2024** **June 30, 2024** and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Commercial & industrial		
Commercial, secured by real estate:		
Owner occupied		
Owner occupied		
Owner occupied		
Non-owner occupied		
Farmland		
Multi-family		
Construction loans secured by 1-4 family dwellings		
Construction loans secured by other real estate		
Residential real estate:		
Secured by senior liens on 1-4 family dwellings		
Secured by senior liens on 1-4 family dwellings		
Secured by senior liens on 1-4 family dwellings		
Secured by junior liens on 1-4 family dwellings		
Home equity line-of-credit loans		
Consumer		
Agricultural		
Other loans, including deposit overdrafts		
Loans, gross		
Less allowance for credit losses		
Loans, net		

Loans in the above table are shown net of deferred origination fees and costs. Deferred origination fees, net of related costs, were **\$583,000** **\$533,000** and **\$181,000** at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 – LOANS (continued)

Non-accrual loans by class of receivable as of **March 31, 2024** **June 30, 2024** and December 31, 2023 were as follows (in thousands):

	March 31, 2024			December 31, 2023				March 31, 2024			December 31, 2023		
	June 30, 2024			December 31, 2023				June 30, 2024			December 31, 2023		
Commercial & industrial	Non-accrual	Non-accrual	Total	Non-accrual	Non-accrual	Total	Non-accrual	Non-accrual	Non-accrual	Total	Non-accrual	Non-accrual	Total
	Loans with no	Loans with no	Interest	Loans with no	Non-	Interest	Loans with no	Loans with no	Loans with no	Interest	Loans with no	Loans with no	Interest
	Allowance for	Allowance for	Income	Allowance for	accrual	Income	Allowance for	Allowance for	Allowance for	Income	Allowance for	Allowance for	Income
	Credit Losses	Credit Losses	Recognized	Credit Losses	Loans	Recognized	Credit Losses	Credit Losses	Credit Losses	Loans	Credit Losses	Credit Losses	Loans

Commercial,
secured by real
estate:

Owner occupied
Owner occupied
Owner occupied

Non-owner
occupied

Farmland

Multi-family
Construction
loans secured
by 1-4 family
dwellings

Construction
loans secured
by other real
estate

Residential real
estate:

Secured by senior liens on 1-4
family dwellings

Secured by senior liens on 1-4
family dwellings

Secured by senior liens on 1-4
family dwellings

Secured by
junior liens on
1-4 family
dwellings

Home equity
line-of-credit
loans

Consumer

Agricultural

Total

One commercial loan secured by real estate, non-owner occupied, was two residential real estate, secured by senior liens on 1-4 family dwellings, and one agricultural loan were added to the non-accrual classification during the first quarter of 2024, six months ended June 30, 2024. Accrued interest reversed and charged against interest income for these loans totaled approximately \$27,000. \$31,000.

The ratio of non-accrual loans to total loans outstanding at March 31, 2024 June 30, 2024 and December 31, 2023 was 0.16% and 0.00%, respectively.

ALLOWANCE FOR CREDIT LOSSES

The ACL is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. A provision for credit losses is charged to operations based on management's periodic evaluation of these and other pertinent factors.

During the first quarter of 2023, the Company adopted ASU No. 2016-13, including the CECL methodology for estimating the ACL. This standard was adopted using a modified retrospective approach on January 1, 2023. See Note 1 - Basis of Presentation - Adoption of New Accounting Pronouncements for a summary of the impact adoption of ASU No. 2016-13 had on LCNB's ACL, retained earnings, and deferred taxes.

QUANTITATIVE CONSIDERATIONS

The ACL is primarily calculated utilizing a DCF model. Key inputs and assumptions used in this model are discussed below:

- Forecast model - For each portfolio segment, an LDA was performed in order to identify appropriate loss drivers and create a regression model for use in forecasting cash flows. The LDA utilized peer FFIEC Call Report data for all pools. The Company plans to update the LDA when materially relevant.

LCNB CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 – LOANS (continued)

- Probability of default – PD is the probability that an asset will be in default within a given time frame. The Company has defined default as when a charge-off has occurred, a loan goes to non-accrual status, a loan is greater than 90 days past due, or financial difficulty modification status change. The forecast model is utilized to estimate PDs.
- Loss given default – LGD is the percentage of the asset not expected to be collected due to default. The LGD is derived from company specific and peer loss data.
- Prepayments and curtailments – Prepayments and curtailments are calculated based on the Company's own data. This analysis is updated when materially relevant.
- Forecast and reversion – the Company, as of **December 31, 2023**, established a two-quarter reasonable and supportable forecast period with a six-quarter straight line reversion to the long-term historical average. As of **March 31, 2024**, the Company established a three-quarter reasonable and supportable forecast period with a seven-quarter straight line reversion to the long-term historical average. As of **June 30, 2024**, the Company established a two-quarter reasonable and supportable forecast period with a ten-quarter straight line reversion to the long-term historical average because management believes due to increased uncertainty surrounding the economy has shown more stability and resiliency than previously assumed. Extending the forecast and reversion periods from previous quarters has differing effects on pools based on the economic indicators used and the relation of the selected forecast range to the historical average. For example, the historical average for the bank's unemployment indicator is **5.85% 5.82%**, which is higher than the forecasted range utilized as of **March 31, 2024** **June 30, 2024**. The extended forecast and reversion period ultimately decreases the reserve associated with the unemployment factor when compared to the historical average.
 - The historical averages for LCNB's economic indicators are unemployment – **5.85% 5.82%**, change in Coincident Economic Activity – **1.83% 1.84%**, change in Commercial Real Estate Price Indexes – **5.50% 5.40%**, and change in Home Price Index – **3.42% 3.46%**
- Economic forecast – the Company utilizes a third party to provide economic forecasts under various scenarios, which are assessed against economic indicators and management's observations in the market. As of December 31, 2023, the Company selected a forecast which forecasts unemployment between 4.21% and 4.55%, the change in Coincident Economic Activity between 0.62% and 1.91%, the change in Commercial Real Estate Price Indexes between -8.56% and -6.64%, and the change in the Home Price Index between 0.09% and 4.47% during the forecast periods. As of March 31, 2024, the Company selected a forecast which forecasts unemployment between 4.45% and 5.14%, the change in Coincident Economic Activity between -0.53% and 0.47%, the change in Commercial Real Estate Price Indexes between -10.17% and -3.82%, and the change in the Home Price Index between -3.92% and 2.19% during the forecast periods. As of June 30, 2024, the Company selected a forecast which forecasts unemployment between 4.50% and 4.85%, the change in Coincident Economic Activity between -0.06% and 0.07%, the change in Commercial Real Estate Price Indexes between -5.33% and -3.86%, and the change in the Home Price Index between 0.63% and 2.89% during the forecast periods. Management believes that the resulting quantitative reserve appropriately balances economic indicators with identified risks.

QUALITATIVE CONSIDERATIONS

In addition to the quantitative model, management considers the need for qualitative adjustment for risks not considered in the DCF. Factors that are considered by management in determining loan collectability and the appropriate level of the ACL are listed below:

- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the Company operates that affect the collectability of financial assets;
- The effect of other external factors such as the regulatory, legal and technological environments, competition, and events such as natural disasters or pandemics; and
- Model risk including statistical risk, reversion risk, timing risk, and model limitation risk.
- Changes in the nature and volume of the portfolio and terms of loans.
- Lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 – LOANS (continued)

The following table presents activity in the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Commercial, Secured by Real Estate	Residential Real Estate	Consumer	Agricultural	Other	Total
<u>Three Months Ended June 30, 2024</u>						
Balance, beginning of period	\$ 967	6,486	2,852	232	18	2
Acquisition of Eagle Financial Bancorp, Inc. -						
PCD Loans	101	8	79	—	—	—
Provision for (recovery of) credit losses	449	(512)	(184)	(21)	20	28
Acquisition of Eagle Financial Bancorp, Inc. - provision for credit losses on non-PCD loans						
charged to expense	51	246	466	—	—	—
Losses charged off	—	—	—	(40)	—	(46)
						(86)

Recoveries	—	—	9	41	—	18	68
Balance, end of period	\$ 1,568	6,228	3,222	212	38	2	11,270
Ratio of net charge-offs to average loans	— %	— %	0.01 %	0.02 %	— %	(73.60) %	— %
<u>Six Months Ended June 30, 2024</u>							
Balance, beginning of year	\$ 1,039	5,414	3,816	238	18	—	10,525
Acquisition of Eagle Financial Bancorp, Inc. -							
PCD Loans	101	8	79	—	—	—	188
Provision for (recovery of) credit losses	377	560	(1,148)	(32)	20	80	(143)
Acquisition of Eagle Financial Bancorp, Inc. -							
provision for credit losses on non-PCD loans							
charged to expense	51	246	466	—	—	—	763
Losses charged off	—	—	—	(43)	—	(121)	(164)
Recoveries	—	—	9	49	—	43	101
Balance, end of period	\$ 1,568	6,228	3,222	212	38	2	11,270
Ratio of net charge-offs (recoveries) to average loans	— %	— %	— %	(0.05) %	— %	121.28 %	— %
<u>Three Months Ended June 30, 2023</u>							
Balance, beginning of period	\$ 1,047	4,927	1,351	526	7	—	7,858
Provision for (recovery of) credit losses	33	96	(25)	12	(2)	17	131
Losses charged off	(15)	—	—	(4)	—	(30)	(49)
Recoveries	—	—	—	1	—	15	16
Balance, end of period	\$ 1,065	5,023	1,326	535	5	2	7,956
Ratio of net charge-offs to average loans	0.05 %	— %	— %	0.04 %	— %	91.85 %	0.01 %

LCNB CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(Continued)

NOTE 4 – LOANS (continued)

The following table presents activity in the allowance for credit losses by portfolio segment for the three months ended March 31, 2024 and 2023 (in thousands):

	Commercial, Secured by Real Estate	Residential Real Estate	Consumer	Agricultural	Other	Total
<u>Three Months Ended March 31, 2024</u>						
<u>Three Months Ended March 31, 2024</u>						
<u>Three Months Ended March 31, 2024</u>						
Balance, beginning of year						
Provision for (recovery of) credit losses						

Provision for (recovery of) credit losses	—	—	—	—	—	—	—	—
Provision for (recovery of) credit losses	—	—	—	—	—	—	—	—
Losses charged off	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Balance, end of period	—	—	—	—	—	—	—	—
Ratio of net charge-offs (recoveries) to average loans	—	—	—	—	—	—	—	—
Ratio of net charge-offs (recoveries) to average loans	—	—	—	—	—	—	—	—
Ratio of net charge-offs (recoveries) to average loans	—	—	—	—	—	—	—	—
Three Months Ended March 31, 2023	—	—	—	—	—	—	—	—
Three Months Ended March 31, 2023	—	—	—	—	—	—	—	—
Three Months Ended March 31, 2023	—	—	—	—	—	—	—	—
	Commercial, Secured by Real Estate	Residential Real Estate	Consumer	Agricultural	Other	Total		
Six Months Ended June 30, 2023	—	—	—	—	—	—	—	—
Balance, beginning of year, prior to adoption of ASC 326	—	—	—	—	—	—	—	—
Impact of adopting ASC 326	—	—	—	—	—	—	—	—
Provision for (recovery of) credit losses	—	—	—	—	—	—	—	—
Losses charged off	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—

The ratio of the allowance for credit losses for loans to total loans at March 31, 2024, June 30, 2024 and December 31, 2023 was 0.64%, 0.65% and 0.61%, respectively.

For collateral dependent loans where management has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and repayment of the loan is to be provided substantially through the operation or sale of the collateral, the allowance for credit losses is measured based on the difference between the fair value of the collateral, less costs to sell, and the amortized cost basis of the loan as of the measurement date.

The following table presents the carrying value and related allowance of collateral dependent individually evaluated loans by class segment at the dates indicated (in thousands):

	June 30, 2024		December 31, 2023	
	Carrying Value	Related Allowance	Carrying Value	Related Allowance
	\$	—	—	—
Commercial & industrial				
Commercial, secured by real estate:				
Owner occupied	56	—	72	—
Non-owner occupied	2,642	1,180	—	—
Farmland	52	—	51	—
Multi-family	—	—	—	—
Construction loans secured by 1-4 family dwellings	—	—	—	—
Construction loans secured by other real estate	—	—	—	—
Residential real estate:				
Secured by senior liens on 1-4 family dwellings	52	31	—	—
Secured by junior liens on 1-4 family dwellings	—	—	—	—
Home equity line-of-credit loans	32	—	—	—
Consumer	—	—	—	—
Agricultural	70	19	—	—
Other loans, including deposit overdrafts	—	—	—	—
Total	\$ 2,904	1,230	123	—

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 4 – LOANS (continued)

The following table presents the carrying value and related allowance of collateral dependent individually evaluated loans by class segment at the dates indicated (in thousands):

	March 31, 2024		December 31, 2023	
	Carrying Value	Related Allowance	Carrying Value	Related Allowance
Commercial & industrial	\$ 3,244	—	—	—

Commercial, secured by real estate:				
Owner occupied	783	—	72	—
Non-owner occupied	2,642	1,161	—	—
Farmland	52	—	51	—
Multi-family	—	—	—	—
Construction loans secured by 1-4 family dwellings	—	—	—	—
Construction loans secured by other real estate	—	—	—	—
Residential real estate:				
Secured by senior liens on 1-4 family dwellings	—	—	—	—
Secured by junior liens on 1-4 family dwellings	—	—	—	—
Home equity line-of-credit loans	—	—	—	—
Consumer	—	—	—	—
Agricultural	—	—	—	—
Other loans, including deposit overdrafts	—	—	—	—
Total	\$ 6,721	1,161	123	—

The risk characteristics of LCNB's material loan portfolio segments were as follows:

Commercial & Industrial Loans. LCNB's commercial & industrial loan portfolio consists of loans for a variety of purposes, including, for example, loans to fund working capital requirements (such as inventory and receivables financing) and purchases of machinery and equipment. LCNB offers a variety of commercial & industrial loan arrangements, including term loans, balloon loans, and lines of credit. Commercial & industrial loans can have a fixed or variable rate, with maturities ranging from one to ten years. Commercial & industrial loans are offered to businesses and professionals for short and medium terms on both a collateralized and uncollateralized basis. Commercial & industrial loans typically are underwritten on the basis of the borrower's ability to make repayment from the cash flow of the business. Collateral, when obtained, may include liens on furniture, fixtures, equipment, inventory, receivables, or other assets. As a result, such loans involve complexities, variables, and risks that require thorough underwriting and more robust servicing than other types of loans.

Commercial, Secured by Real Estate Loans. Commercial real estate loans include loans secured by a variety of commercial, retail and office buildings, religious facilities, hotels, multifamily (more than four-family) residential properties, construction and land development loans, and other land loans. Mortgage loans secured by owner-occupied agricultural property are included in this category. Commercial real estate loan products generally amortize over five to twenty-five years and are payable in monthly principal and interest installments. Some have balloon payments due within one to ten years after the origination date. The majority have adjustable interest rates with adjustment periods ranging from one to ten years, some of which are subject to established "floor" interest rates.

Commercial real estate loans are underwritten based on the ability of the property, in the case of income-producing property, or the borrower's business to generate sufficient cash flow to amortize the debt. Secondary emphasis is placed upon global debt service, collateral value, financial strength and liquidity of any and all guarantors, and other factors. Commercial real estate loans are generally originated with a 75% to 85% maximum loan to appraised value ratio, depending upon borrower capacity.

LCNB CORP. AND SUBSIDIARIES
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(Continued)

NOTE 4 – LOANS (continued)

Residential Real Estate Loans. Residential real estate loans include loans secured by first or second mortgage liens on one to four-family residential properties. Home equity lines of credit are also included in this category. First and second mortgage loans are generally amortized over five to thirty years with monthly principal and interest payments. Home equity lines of credit generally have a five year or less draw period with interest only payments followed by a repayment period with monthly payments based on the amount outstanding. LCNB offers both fixed and adjustable-rate mortgage loans. Adjustable-rate loans are available with adjustment periods ranging between one to fifteen years and adjust according to an established index plus a margin, subject to certain floor and ceiling rates. A substantial majority of home equity lines of credit have a variable rate of interest based on the Wall Street Journal prime rate plus a margin.

Residential real estate loans are underwritten primarily based on the borrower's ability to repay, prior credit history, and the value of the collateral. LCNB generally requires private mortgage insurance for first mortgage loans that have a loan to appraised value ratio of greater than 80% or may require other credit enhancements for second lien mortgage loans.

Consumer Loans. LCNB's portfolio of consumer loans generally includes secured and unsecured loans to individuals for household, family and other personal expenditures. Secured loans include loans to fund the purchase of automobiles, recreational vehicles, boats, and similar acquisitions. Consumer loans made by LCNB generally have fixed rates and terms ranging up to 72 months, depending upon the nature of the collateral, size of the loan, and other relevant factors. Consumer loans generally have higher interest rates, but pose additional risks of collectability and loss when compared to certain other types of loans. Collateral, if present, is generally subject to damage, wear, and depreciation. The borrower's ability to repay is of primary importance in the underwriting of consumer loans.

Agricultural Loans. LCNB's portfolio of agricultural loans includes loans for financing agricultural production and for financing the purchase of equipment used in the production of agricultural products. LCNB's agricultural loans are generally secured by farm machinery, livestock, crops, vehicles, or other agricultural-related collateral.

Other Loans, Including Deposit Overdrafts. Other loans may include loans that do not fit in any of the other categories, but it is primarily composed of overdrafts from transaction deposit accounts. Overdraft payments are recorded as a recovery and overdrafts are generally written off after 34 days with a negative balance.

LCNB uses CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 – LOANS (continued)

LCNB's management monitors the credit quality of its loans on an ongoing basis. This monitoring includes annual reviews for loans with a risk-rating principal balance greater than \$1 million and bi-annual reviews for loans with a principal balance of more than \$500,000 through \$1 million. LCNB also has a loan grade monitoring system in place to quantify track and report loan quality. grades and classifications, enabling the identification and management of non-performing loans. Major factors used in determining loan grades vary based on the nature of the loan, but commonly include factors such as debt service coverage, internal cash flow, liquidity, leverage, operating performance, debt burden, FICO scores, occupancy, interest rate sensitivity, and expense burden. Commercial real estate loans rated OAEM or worse are reviewed at least quarterly for credit deterioration.

A loan is assigned to a risk category based on relevant information about the ability of the borrower to service the debt including, but not limited to, current financial information, historical payment experience, credit documentation, public information, and current economic trends. The categories used are:

- Pass – loans categorized in this category are higher quality loans that do not fit any of the other categories described below.
- Other Assets Especially Mentioned ("OAEM") – loans in this category are currently protected but are potentially weak. These loans constitute a risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an undue risk in light of the circumstances surrounding a specific asset.
- Substandard – loans in this category are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the possibility that LCNB will sustain some loss if the deficiencies are not corrected.
- Doubtful – loans classified in this category have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

An independent consultant is contracted to conduct a review of LCNB's loan portfolio on an annual basis. The independent review examines LCNB's underwriting activities, documentation, credit quality, and includes an assessment of proper risk ratings. Loans selected for review include all loans meeting certain pre-determined criteria and a sample of other loans. The independent review provides assurance that LCNB's loan portfolio and credit quality complies with the policies set forth by the board of directors and senior management and with regulatory requirements.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 – LOANS (continued)

The following table presents the amortized cost basis of loans by vintage and credit quality indicators at **March 31, 2024**, **June 30, 2024** and December 31, 2023 (in thousands):

Term Loans by Origination Year	Revolving Loans Amortized Cost Basis					Revolving Loans Converted to Term					Revolving Loans Amortized Cost Basis					Revolving Loans Converted to Term					Total			
	2024	2023	2022	2021	2020	Prior	Total	2024	2023	2022	2021	2020	Prior	Total	2024	2023	2022	2021	2020	Prior	Total	2024	2023	Total
March 31, 2024																								
June 30, 2024																								
Commercial & industrial																								
Commercial & industrial																								
Commercial & industrial																								
Pass																								
Pass																								
Pass																								
OAEM																								
Substandard																								

Doubtful

Total

Gross charge-offs (1)

Commercial, secured by
real estate

Pass

Pass

Pass

OAEM

Substandard

Doubtful

Total

Gross charge-offs (1)

Residential real estate

Pass

Pass

Pass

OAEM

Substandard

Doubtful

Total

Gross charge-offs (1)

Consumer

Pass

Pass

Pass

OAEM

Substandard

Doubtful

Total

Gross charge-offs (1)

Agricultural

Pass

Pass

Pass

OAEM

Substandard

Doubtful

Total

Gross charge-offs (1)

Other

Pass

Pass

Pass

OAEM

Substandard

Doubtful

Total

Gross charge-offs (1)

Total loans

(1) - for the three months ended March 31, 2024.

(1) - for the six months ended June 30, 2024.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 4 – LOANS (continued)

	Term Loans by Origination Year						Revolving Loans Amortized Cost	Revolving Loans Converted to Term	Total			
	2023	2022	2021	2020	2019	Prior						
	Basis											
December 31, 2023												
Commercial & industrial												
Pass	\$ 17,169	30,518	29,587	11,426	2,732	5,641	16,919	113	114,105			
OAEM	—	—	1,474	—	—	—	—	—	1,474			
Substandard	—	1,813	—	105	1,592	137	1,315	—	4,962			
Doubtful	—	—	—	—	—	—	—	—	—			
Total	17,169	32,331	31,061	11,531	4,324	5,778	18,234	113	120,541			
Gross charge-offs (2)	—	—	—	—	—	15	—	—	15			
Commercial, secured by real estate												
Pass	99,055	200,735	156,865	109,810	92,895	283,564	141,354	6,056	1,090,334			
OAEM	—	7,671	—	—	—	3,004	—	—	10,675			
Substandard	—	—	—	—	1,648	2,987	—	—	4,635			
Doubtful	—	—	—	—	—	—	—	—	—			
Total	99,055	208,406	156,865	109,810	94,543	289,555	141,354	6,056	1,105,644			
Gross charge-offs (2)	—	—	—	—	—	—	—	—	—			
Residential real estate												
Pass	55,232	83,511	107,120	62,177	19,208	95,643	33,800	—	456,691			
OAEM	—	—	—	—	—	18	—	—	18			
Substandard	—	446	—	217	—	3,062	170	—	3,895			
Doubtful	—	—	—	—	—	—	—	—	—			
Total	55,232	83,957	107,120	62,394	19,208	98,723	33,970	—	460,604			
Gross charge-offs (2)	—	—	—	—	4	—	—	—	4			
Consumer												
Pass	8,087	5,820	4,868	4,671	1,382	304	460	—	25,592			
OAEM	—	—	—	—	—	—	—	—	—			
Substandard	—	—	—	—	8	—	—	—	8			
Doubtful	—	—	—	—	—	—	—	—	—			
Total	8,087	5,820	4,868	4,671	1,390	304	460	—	25,600			
Gross charge-offs (2)	—	—	62	21	—	—	—	—	83			
Agricultural												
Pass	1,883	464	197	694	46	31	7,685	—	11,000			
OAEM	—	—	—	—	—	—	—	—	—			
Substandard	—	—	—	—	—	—	—	—	—			
Doubtful	—	—	—	—	—	—	—	—	—			
Total	1,883	464	197	694	46	31	7,685	—	11,000			
Gross charge-offs (2)	—	—	—	—	—	—	—	—	—			
Other												
Pass	—	—	—	—	—	—	82	—	82			
OAEM	—	—	—	—	—	—	—	—	—			
Substandard	—	—	—	—	—	—	—	—	—			

Doubtful	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	82	—	—	82
Gross charge-offs (2)	—	—	—	—	—	—	—	—	166	—	—	166
Total loans	\$ 181,426	330,978	300,111	189,100	119,511	394,391	201,785	6,169	1,723,471			

(2) - for the year ended December 31, 2023.

LCNB CORP. AND SUBSIDIARIES
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NOTE 4 – LOANS (continued)

A loan portfolio aging analysis by class segment at **March 31, 2024** **June 30, 2024** and December 31, 2023 is as follows (in thousands):



Commercial, secured by real estate:
Owner occupied
Owner occupied
Owner occupied
Non-owner occupied
Farms
Multi-family
Construction loans secured by 1-4 family dwellings
Construction loans secured by other real estate
Residential real estate
Secured by senior liens on 1-4 family dwellings
Secured by senior liens on 1-4 family dwellings
Secured by senior liens on 1-4 family dwellings
Secured by senior liens on 1-4 family dwellings
Secured by junior liens on 1-4 family dwellings
Home equity line-of-credit loans
Consumer
Agricultural
Other
Total

Residential consumer mortgage loans secured by residential real estate in the process of foreclosure at June 30, 2024 totaled \$53,000. No residential consumer mortgage loans secured by residential real estate were in the process of foreclosure at March 31, 2024 or December 31, 2023.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 4 – LOANS (continued)

From time to time, the terms of certain loans are modified when concessions are granted to borrowers experiencing financial difficulties. Each modification is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's ability to pay the debt as modified. The modification of the terms of such loans may have included one, or a combination of, the following: a temporary or permanent reduction of the stated interest rate of the loan, an increase in the stated rate of interest lower than the current market rate for new debt with similar risk, forgiveness of principal, an extension of the maturity date, or a change in the payment terms.

The following table presents the amortized cost basis at March 31, 2024 June 30, 2024 of loan modifications made to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted (in thousands):

Interest	Rate	Reduction	Interest	Rate	Reduction	Interest	Rate	Reduction	Term Extension	Principal Forgiveness	Total Modifications	Percent of Total Class	Extended Maturity	Principal Forgiveness	Payment Deferral	M	
Three Months Ended																	
March 31, 2024																	

Three Months Ended**March 31, 2024****Three Months Ended****March 31, 2024**

Commercial & industrial

Commercial & industrial

Three Months Ended June 30, 2024

Commercial & industrial	\$ —	1,793	1,793	—	—	1,793	1,793	1.47	1.47	Commercial & industrial	\$ —	—	—	—	—	1,813	1,813	1,813
Commercial, secured by real estate, non-owner occupied	Commercial, secured by non-owner occupied	—	2,642	2,642	—	—	2,642	0.52	0.52	Commercial, secured by real estate, non-owner occupied	—	—	—	—	—	—	—	—
Residential real estate, secured by senior liens on 1-4 family dwellings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	Total	Total																

Six Months Ended June 30, 2024**Six Months Ended June 30, 2024****Six Months Ended June 30, 2024**

Commercial & industrial	\$ —	1,793	—	1,813	3,606	2.87 %
Commercial, secured by real estate, non-owner occupied	—	2,642	—	—	2,642	0.51 %
Residential real estate, secured by senior liens on 1-4 family dwellings	\$ —	—	—	—	—	— %
Total	Total	Total				

Three Months Ended June 30, 2023**Three Months Ended June 30, 2023****Three Months Ended June 30, 2023**

Commercial & industrial	\$ —	—	—	—	—	— %
Commercial, secured by real estate, non-owner occupied	—	—	—	—	—	— %
Residential real estate, secured by senior liens on 1-4 family dwellings	—	—	—	325	325	0.12 %
Total	Total	Total				

Six Months Ended June 30, 2023**Six Months Ended June 30, 2023****Six Months Ended June 30, 2023**

Commercial & industrial	\$ —	—	—	—	—	— %
Commercial, secured by real estate, non-owner occupied	—	—	—	—	—	— %

Residential real estate, secured by senior liens on 1-4 family dwellings	—	—	—	325	325	0.12 %
Total						
Total						
Total						

The commercial, secured by real estate, non-owner occupied loan with an amortized balance of \$2,642,000 shown in the table above for the six month ended June 30, 2024 subsequently defaulted on payment. Security for the loan is an office building and LCNB has initiated foreclosure proceedings on this loan.

LCNB CORP. AND SUBSIDIARIES
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(Continued)

NOTE 4 – LOANS (continued)

The borrower who received a modification on the residential real estate loan, secured by a senior lien on a 1-4 family dwelling, during the three and six months ended June 30, 2023, as shown in the table above, paid the loan in full during the third quarter 2023.

Mortgage loans sold to and serviced for the Federal Home Loan Mortgage Corporation and other investors are not included in the accompanying consolidated condensed balance sheets. The unpaid principal balances of those loans at **March 31, 2024** June 30, 2024 and December 31, 2023 were approximately **\$386.5 million** \$423.0 million and \$391.8 million, respectively.

NOTE 5 - PURCHASED CREDIT DETERIORATED LOANS

LCNB acquired loans through the merger with EFBI for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of these loans at acquisition on April 12, 2024 is as follows (in thousands):

Purchase price of loans at acquisition	2,811
Allowance for credit losses at acquisition	189
Non-credit discount/(premium) at acquisition	253
Par value of acquired loans at acquisition	\$ 3,253

The following table provides, as of June 30, 2024, the major classifications of purchased credit deteriorated loans acquired from EFBI (in thousands):

Commercial & industrial	\$ 184
Commercial, secured by real estate	379
Residential real estate	2,414
Total	\$ 2,977

The following table provides the outstanding balance and related carrying amount for purchased credit deteriorated loans acquired from EFBI as of June 30, 2024 (in thousands):

Outstanding balance	\$ 3,228
Carrying amount	2,977

Activity during 2024 for the accretable discount related to purchased credit deteriorated loans acquired from EFBI and CNNB is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Accretable discount, beginning of period	\$ 1,410	—	1,467	—
Accretable discount acquired during period from merger with EFBI	253	—	253	—
Less loans transferred to held-for-sale	396	—	396	—
Less accretion	108	—	165	—
Accretable discount, end of period	\$ 1,159	—	1,159	—

LCNB CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 56 - AFFORDABLE HOUSING TAX CREDIT LIMITED PARTNERSHIP INVESTMENTS

LCNB is a limited partner in multiple limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit pursuant to Section 42 of the Internal Revenue Code. The purpose of the investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings, and to assist in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development, and operation of multi-family housing that is leased to qualifying residential tenants.

The following table presents the balances of LCNB's affordable housing tax credit investments and related unfunded commitments at **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Affordable housing tax credit investment				
Less amortization				
Net affordable housing tax credit investment				
Unfunded commitment				
Unfunded commitment				
Unfunded commitment				

The net affordable housing tax credit investment is included in other assets and the unfunded commitment is included in accrued interest and other liabilities in the consolidated condensed balance sheets.

LCNB expects to fund the unfunded commitment over 9.0 years.

The following table presents other information relating to LCNB's affordable housing tax credit investments for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Tax credits and other tax benefits recognized	\$ 445	434	\$ 888	864
Tax credit amortization expense included in provision for income taxes	368	361	740	718

NOTE 7 - DEPOSITS

The following table presents the composition of LCNB's deposits at June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Demand deposits	\$ 449,110	462,267
Interest-bearing demand and money fund deposits	587,141	643,989
Savings deposits	370,039	379,162
IRA and time certificates	536,770	338,971
Total	\$ 1,943,060	1,824,389

LCNB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 57 - AFFORDABLE HOUSING TAX CREDIT LIMITED PARTNERSHIP INVESTMENTS DEPOSITS (continued)

The following table presents other information relating to LCNB's affordable housing tax credit investments for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023

Tax credits and other tax benefits recognized	\$ 443	430
Tax credit amortization expense included in provision for income taxes	372	357

NOTE 6 - DEPOSITS

The following table presents the composition of LCNB's deposits at March 31, 2024 and December 31, 2023 (in thousands).

	March 31, 2024	December 31, 2023
Demand deposits	\$ 435,580	462,267
Interest-bearing demand and money fund deposits	652,286	643,989
Savings deposits	359,683	379,162
IRA and time certificates	410,944	338,971
Total	\$ 1,858,493	1,824,399

Contractual maturities of time deposits at **March 31, 2024** **June 30, 2024** were as follows (in thousands):

Three months or less	\$ 67,736	108,939
Over three through six months	\$ 88,753	93,025
Over six through twelve months	\$ 119,514	115,118
April July 1, 2024 - March 31, 2025 June 30, 2025	\$ 276,003	317,082
April July 1, 2025 - March 31, 2026 June 30, 2026	\$ 119,970	202,684
April July 1, 2026 - March 31, 2027 June 30, 2027	\$ 10,196	12,926
April July 1, 2027 - March 31, 2028 June 30, 2028	\$ 2,449	2,246
April July 1, 2028 - March 31, 2029 June 30, 2029	\$ 1,366	1,384
Thereafter	\$ 960	448
	\$ 410,944	536,770

The aggregate amount of time deposits in denominations of \$250,000 or more at March 31, 2024 June 30, 2024 and December 31, 2023 was \$71.7 million \$109.8 million and \$50.2 million, respectively. While the acquisition of EFBI contributed to the increase in the total amount of time deposits in denominations of \$250,000 or more, most of the growth was generated organically. LCNB had a special rate promotion for time deposits, accompanied by a bonus rate promotion for new deposits, during much of the 2024 period.

LCNB CORP. AND SUBSIDIARIES
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(Continued)

NOTE 78 – BORROWINGS

Long-term debt at March 31, 2024, June 30, 2024 and December 31, 2023 was as follows (dollars in thousands):

The term loan with a correspondent financial institution bears a fixed interest rate of 4.25%, amortizes quarterly, and has a final balloon payment due on June 15, 2025.

Contractual maturities of long-term debt at March 31, 2024, June 30, 2024 and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
--	-------------------	----------------------

	June 30, 2024	December 31, 2023
Maturing within one year		
Maturing after one year through two years		
Maturing after two years through three years		
Maturing after three years through four years		
Maturing after four years through five years		
Thereafter		
Total	1,000	1,000

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 8 – BORROWINGS (continued)

Short-term borrowings at March 31, 2024, June 30, 2024 and December 31, 2023 were as follows (dollars in thousands):

At March 31, 2024 June 30, 2024, LCN Corp. had a short-term revolving line of credit arrangement with a financial institution for a maximum amount of \$5 million \$10 million at an interest rate equal to the Wall Street Journal Prime Rate minus 25 basis points. This agreement expires on June 15, 2024 June 15, 2025.

At **March 31, 2024** **June 30, 2024**, LCNB had overnight line of credit borrowing arrangements with three correspondent financial institutions. Under the terms of the first arrangement, LCNB can borrow up to \$30 million at an interest rate equal to the lending institution's federal funds rate plus a spread of 50 basis points. Under the terms of the second arrangement, LCNB can borrow up to **\$25** **\$50** million at an interest rate equal to the FOMC **targeted federal funds** rate plus a spread of 25 basis points. Under the terms of the third arrangement, LCNB can borrow up to \$25 million at the interest rate in effect at the time of borrowing. |

All long-term and short-term advances from the FHLB of Cincinnati are secured by a blanket pledge of LCNB's 1-4 family first lien mortgage loans in the amount of approximately \$422 million \$455 million and \$417 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Remaining borrowing capacity with the FHLB, including both long-term and short-term borrowings, at March 31, 2024 June 30, 2024 was approximately \$118.8 million \$170.3 million.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
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NOTE 89 - LEASES

Lease expenses for offices are included in the consolidated condensed statements of income in net occupancy expense and lease expenses for equipment and ATMs are included in equipment expense. Components of lease expense for the three and six months ended **March 31, 2024** **June 30, 2024** were as follows (in thousands):

Three Months Ended
March 31,

	Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2023	2024	2023	2024	2023
Operating lease expense						
Short-term lease expense						
Variable lease expense						
Other						
Total lease expense						

Other information related to leases at **March 31, 2024** June 30, 2024 were as follows (dollars in thousands):

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 228,529
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 62
Weighted average remaining lease term in years for operating leases	33.3 32.9
Weighted average discount rate for operating leases	3.55 3.63 %

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 9 10 – INCOME TAXES

A reconciliation between the statutory income tax and LCNB's effective tax rate on income from continuing operations follows:

	Statutory tax rate	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023	2024	2023
		21.0 %	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %
Statutory tax rate	Statutory tax rate			Statutory tax rate			
Increase (decrease) resulting from:	Increase (decrease) resulting from:			Increase (decrease) resulting from:			
Tax exempt interest	Tax exempt interest	(1.2) %	(0.7) %	Tax exempt interest	(2.8) %	(0.6) %	(1.7) %
Tax exempt income on bank-owned life insurance	Tax exempt income on bank-owned life insurance	(3.0) %	(1.1) %	Tax exempt income on bank-owned life insurance	(7.6) %	(1.0) %	(4.4) %
Captive insurance premium income	Captive insurance premium income	(3.3) %	(1.0) %	Captive insurance premium income	(6.6) %	(0.8) %	(4.3) %
Affordable housing tax credit limited partnerships	Affordable housing tax credit limited partnerships	(3.2) %	(1.4) %	Affordable housing tax credit limited partnerships	(8.2) %	(1.3) %	(4.7) %
Nondeductible merger-related expenses	Nondeductible merger-related expenses	3.3 %	— %	Nondeductible merger-related expenses	5.4 %	— %	3.9 %
Other, net	Other, net	0.4 %	1.0 %	Other, net	0.8 %	0.6 %	0.6 %
Effective tax rate	Effective tax rate	14.0 %	17.8 %	Effective tax rate	2.0 %	17.9 %	10.4 %

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 10 11 - COMMITMENTS AND CONTINGENT LIABILITIES

LCNB is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These financial instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount

recognized in the balance sheets. Exposure to credit loss in the event of nonperformance by the other parties to financial instruments for commitments to extend credit is represented by the contract amount of those instruments.

The In addition to such commitments to extend credit, LCNB may have services for customers in place that, though they obligate LCNB to provide credit on certain terms, do not constitute commitments to extend credit for purposes of this Note 11. For example, the Bounce Protection product, a customer LCNB's deposit overdraft program, is offered as a service **by the Bank** and does not constitute a contract between the customer and LCNB.

LCNB uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Financial instruments whose contract amounts represent off-balance-sheet credit risk at **March 31, 2024** **June 30, 2024** and December 31, 2023 were as follows (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Commitments to extend credit:		
Commercial loans		
Commercial loans		
Commercial loans		
Other loans	Other loans	Other loans
Fixed rate		
Adjustable rate		
Unused lines of credit:	Unused lines of credit:	Unused lines of credit:
Fixed rate		
Adjustable rate		
Unused overdraft protection amounts on demand accounts		
Standby letters of credit		
Total commitments		

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Unused lines of credit include amounts not drawn on line of credit loans. Commitments to extend credit and unused lines of credit generally have fixed expiration dates or other termination clauses.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees generally are fully secured and have varying maturities.

LCNB evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the borrower and may include accounts receivable; inventory, property, plant, and equipment; residential realty; and income-producing commercial properties.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Activity in the allowance for credit losses on off-balance sheet credit exposures for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023 is as follows (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2024	2023	2024	2023	2024
Balance, beginning of period						
Impact of adopting ASC 326						
Acquisition of Eagle Financial Bancorp, Inc.						
Provision for (recovery of) credit losses						

Balance, end of period
 Balance, end of period
 Balance, end of period

Capital expenditures include the construction or acquisition of new office buildings, improvements to LCNB's offices, purchases of furniture and equipment, and additions or improvements to LCNB's information technology system. Commitments outstanding for capital expenditures as of **March 31, 2024** **June 30, 2024** totaled approximately **\$2.3** **\$1.5** million.

Management believes that LCNB has sufficient liquidity to fund its lending and capital expenditure commitments.

LCNB and its subsidiaries are parties to various claims and proceedings arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such proceedings and claims will not be material to LCNB's consolidated financial position or results of operations.

NOTE 11 – ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023 were as follows (in thousands):

	Three Months Ended March 31,		
	Unrealized Losses on Available-for- Sale Debt Securities	Changes in Pension Plan Assets and Benefit Obligations	Total
2024			
Balance at beginning of period	\$ (22,281)	(55)	(22,336)
Other comprehensive income (loss), net of taxes	(1,287)	—	(1,287)
Reclassifications	169	—	169
Balance at end of period	<u>\$ (23,399)</u>	<u>(55)</u>	<u>(23,454)</u>
2023			
Balance at beginning of period	\$ (29,927)	(27)	(29,954)
Other comprehensive (loss) income, net of taxes	4,950	—	4,950
Balance at end of period	<u>\$ (24,977)</u>	<u>(27)</u>	<u>(25,004)</u>

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Unaudited)
 (Continued)

NOTE 11.12 – ACCUMULATED OTHER COMPREHENSIVE LOSS (continued)

Changes in accumulated other comprehensive loss for the three and six months ended June 30, 2024 and 2023 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	Unrealized Losses on Available-for- Sale Debt Securities	Changes in Pension Plan Assets and Benefit Obligations	Total	Unrealized Losses on Available-for- Sale Debt Securities	Changes in Pension Plan Assets and Benefit Obligations	Total
2024						
Balance at beginning of period	\$ (23,399)	(55)	(23,454)	\$ (22,281)	(55)	(22,336)
Other comprehensive income (loss), net of taxes	605	—	605	(682)	—	(682)
Reclassifications	—	—	—	169	—	169
Balance at end of period	<u>\$ (22,794)</u>	<u>(55)</u>	<u>(22,849)</u>	<u>\$ (22,794)</u>	<u>(55)</u>	<u>(22,849)</u>
2023						
Balance at beginning of period	\$ (24,977)	(27)	(25,004)	\$ (29,927)	(27)	(29,954)
Other comprehensive (loss) income, net of taxes	(2,767)	—	(2,767)	2,183	—	2,183
Balance at end of period	<u>\$ (27,744)</u>	<u>(27)</u>	<u>(27,771)</u>	<u>\$ (27,744)</u>	<u>(27)</u>	<u>(27,771)</u>

Reclassifications out of accumulated other comprehensive loss during the three and six months ended **March 31, 2024**, **June 30, 2024** and 2023 and the affected line items in the condensed consolidated statements of income were as follows (in thousands):

Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Affected Line Item in the Consolidated Condensed Statements of Income	Six Months Ended June 30, 2024	Affected Line Item in the Consolidated Condensed Statements of Income
Realized losses from sales of debt securities, available-for-sale					
Realized losses from sales of debt securities, available-for-sale					
Realized losses from sales of debt securities, available-for-sale	\$ (214) — —		Net losses from sales of debt securities, available-for-sale	\$ — — —	Net losses from sales of debt securities, available-for-sale
Income tax benefit	Income tax benefit (45) — —		Provision for income taxes	Income tax benefit — — —	Provision for income taxes — — —
Reclassification adjustment, net of taxes					

NOTE 12.13 – RETIREMENT PLANS

LCNB participates in a noncontributory defined benefit multi-employer retirement plan that covers substantially all regular full-time employees hired before January 1, 2009. Employees hired before this date who received a benefit reduction under certain amendments to the defined benefit retirement plan receive an automatic contribution of 5% or 7% of their annual compensation, depending on the sum of an employee's age and vesting service, into their defined contribution plans (401(k) plans), regardless of the contributions made by the employees. These contributions are made annually and these employees do not receive any employer matches to their 401(k) contributions.

Employees hired on or after January 1, 2009 receive a 50% employer match on their contributions into the 401(k) plan, up to a maximum LCNB contribution of 3% of each individual employee's annual compensation.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 13 – RETIREMENT PLANS (continued)

Funding and administrative costs of the qualified noncontributory defined benefit retirement plan and 401(k) plan charged to pension and other employee benefits in the consolidated condensed statements of income for the three-month three and six-month period ended **March 31, 2024** **June 30, 2024** and 2023 were as follows (in thousands):

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended June 30,	Six Months Ended June 30,	2023	2024	2023	2024
Qualified noncontributory defined benefit retirement plan									
401(k) plan									

Certain highly compensated former employees participate in a nonqualified defined benefit retirement plan. The nonqualified plan ensures that participants receive the full amount of benefits to which they would have been entitled under the noncontributory defined benefit retirement plan in the absence of limits on benefit levels imposed by certain sections of the Internal Revenue Code. This plan is limited to the original participants and no new participants have been added.

The net periodic pension cost of the nonqualified defined benefit retirement plan consists solely of interest cost of \$18,000 and **\$19,000** **\$36,000** for the three and six months ended **March 31, 2024** **June 30, 2024**, respectively, and **2023**, **\$19,000** and **\$38,000** for the three and six months ended **June 30, 2023**, respectively.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 13 14 – STOCK BASED COMPENSATION

The 2015 Ownership Incentive Plan (the "2015 Plan") was ratified by **LCNB's** **LCNB Corp.**'s shareholders at the annual meeting on April 28, 2015 and allows for stock-based awards to eligible employees, as determined by the Compensation Committee of the Board of Directors. Awards may be made in the form of stock options, appreciation rights, restricted shares, and/or restricted share units. The 2015 Plan provides for the issuance of up to 450,000 shares of common stock. The 2015 Plan will terminate on April 28, 2025 and could be subject to earlier termination by the Board Compensation Committee.

Stock-based awards may be in the form of treasury shares or newly issued shares.

Restricted stock awards granted under the 2015 Plan during the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 were as follows:

	2024	2024	2024	2023	2023	2024	2024	2023
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1,								
Nonvested at January 1,								
Granted								
Vested								
Forfeited								
Outstanding, March 31,								
Nonvested at June 30,								

At June 30, 2024, there were 84,593 restricted stock awards outstanding with an approximate stock value of \$1,177,000 based on that day's closing stock price. At June 30, 2023, there were 79,017 restricted stock awards outstanding with an approximate stock value of \$1,166,000 based on that day's closing stock price. The fair value of restricted stock awards was \$578,000 on the grant date of March 4, 2024 and \$788,000 on the grant date of January 23, 2023. Grants to officers of LCNB vest over a period of five years while grants to members of the board of directors vest immediately. The grant date fair value is recognized ratably into expense over the vesting period.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 14 – STOCK BASED COMPENSATION (continued)

The following table presents expense recorded in salaries and employee benefits for restricted stock awards and the related tax information for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2024	2024	2023	2024	2023	2024	
Restricted stock expense								
Tax effect								

Unrecognized compensation expense for restricted stock awards was **\$1,189,000** **\$1,097,000** at **March 31, 2024** **June 30, 2024** and is expected to be recognized over a period of **4.9** **4.7** years.

NOTE 14.15 – EARNINGS PER COMMON SHARE

LCNB has granted restricted stock awards with non-forfeitable dividend rights, which are considered participating securities. Accordingly, earnings per share is computed using the two-class method as required by ASC No. 260-10-45. Basic earnings per common share is calculated by dividing net income allocated to common shareholders by the weighted average number of common shares outstanding during the period, which excludes the participating securities. Diluted earnings per common share is adjusted for the dilutive effects of stock options, warrants, and restricted stock. The diluted average number of common shares outstanding has been increased for the assumed exercise of stock options and warrants with proceeds used to purchase treasury shares at the average market price for the period.

Earnings per share for the three and six months ended June 30, 2024 and 2023 were calculated as follows (dollars in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024		2023	
	\$		\$	
Net income	\$	925	4,694	2,840
Less allocation of earnings and dividends to participating securities		6	33	18
Net income allocated to common shareholders	\$	919	4,661	2,822
		<hr/>	<hr/>	<hr/>
Weighted average common shares outstanding, gross		14,117,857	11,135,325	13,695,447
Less average participating securities		84,593	79,017	84,593
Adjusted weighted average number of shares outstanding used in the calculation of basic and diluted earnings per common share		<hr/>	<hr/>	<hr/>
		14,033,264	11,056,308	13,610,854
		<hr/>	<hr/>	<hr/>
Earnings per common share:				
Basic	\$	0.07	0.42	0.21
Diluted		0.07	0.42	0.21
				0.79

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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(Continued)

NOTE 14 - EARNINGS PER COMMON SHARE (continued)

Earnings per share for the three months ended March 31, 2024 and 2023 were calculated as follows (dollars in thousands, except share and per share data):

	Three Months Ended March 31,	
	2024	
	\$	
Net income	\$	1,915
Less allocation of earnings and dividends to participating securities		12
Net income allocated to common shareholders	\$	1,903
		<hr/>

Weighted average common shares outstanding, gross	13,196,895	11,270,010
Less average participating securities	84,593	80,840
Adjusted weighted average number of shares outstanding used in the calculation of basic and diluted earnings per common share	13,112,302	11,189,170
Earnings per common share:		
Basic	\$ 0.15	0.37
Diluted	0.15	0.37

NOTE 15 16 - FAIR VALUE MEASUREMENTS

LCNB measures certain assets at fair value using various valuation techniques and assumptions, depending on the nature of the asset. Fair value is defined as the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date.

The inputs to the valuation techniques used to measure fair value are assigned to one of three broad levels:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs may include quoted prices for similar assets in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices (such as interest rates or yield curves) that are observable for the asset or liability, and inputs that are derived from or corroborated by observable market data.
- Level 3 – inputs that are unobservable for the asset or liability.

EQUITY SECURITIES WITH A READILY DETERMINABLE FAIR VALUE

Equity securities with a readily determinable fair value are reported at fair value with changes in fair value reported in other operating income in the consolidated condensed statements of income. Fair values for equity securities are determined based on market quotations (level 1). LCNB has an investment in a mutual fund that is measured at fair value using net asset values, which are considered level 1 because the net asset values are determined and published and are the basis for current transactions.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 15 - FAIR VALUE MEASUREMENTS (continued)

DEBT SECURITIES, AVAILABLE-FOR-SALE

The majority of LCNB's financial debt securities are classified as available-for-sale. The securities are reported at fair value with unrealized holding gains and losses reported net of income taxes in accumulated other comprehensive income. LCNB utilizes a pricing service for determining the fair values of its debt securities. Methods and significant assumptions used to estimate fair value were as follows:

- Fair values for U.S. Treasury notes are determined based on market quotations (level 1).
- Fair values for the other debt securities are calculated using the discounted cash flow method for each security. The discount rates for these cash flows are estimated by the pricing service using rates observed in the market (level 2). Cash flow streams are dependent on estimated prepayment speeds and the overall structure of the securities given existing market conditions.

ASSETS RECORDED AT FAIR VALUE ON A NONRECURRING BASIS

Assets that may be recorded at fair value on a nonrecurring basis include individually evaluated collateral dependent loans (or impaired loans prior to the adoption of ASC 326), other real estate owned, and other repossessed assets.

LCNB does not record loans at fair value on a recurring basis, except for loans held-for-sale. However, from time to time, nonrecurring fair value adjustments to collateral dependent loans are recorded to reflect partial write-downs or specific reserves that are based on the observable market price or current estimated value of the collateral. These loans are reported in the nonrecurring table below at initial recognition of significant borrower distress and on an ongoing basis until recovery or charge-off. The fair values of distressed loans are determined using either the sales comparison approach or income approach. Respective unobservable inputs for the approaches consist of adjustments for differences between comparable sales and the utilization of appropriate capitalization rates.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 15 16 - FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of LCNB's assets recorded at fair value by input levels as of **March 31, 2024**, **June 30, 2024** and December 31, 2023 (in thousands):

	Fair Value Measurements	Fair Value Measurements at the End of the Reporting Period Using			Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)						
March 31, 2024										
Recurring fair value measurements:										
Recurring fair value measurements:										
Recurring fair value measurements:										
Equity securities with a readily determinable fair value:										
Equity securities with a readily determinable fair value:										
Equity securities with a readily determinable fair value:										
Equity securities										
Equity securities										
Equity securities										
Mutual funds measured at net asset value										
Mutual funds measured at net asset value										
Mutual funds measured at net asset value										
Debt securities, available-for-sale:										
Debt securities, available-for-sale:										
Debt securities, available-for-sale:										
U.S. Treasury notes										
U.S. Treasury notes										
U.S. Treasury notes										
U.S. Agency notes										
Corporate bonds										
U.S. Agency mortgage-backed securities										
Municipal securities:		Municipal securities:							Municipal securities:	
Non-taxable										
Taxable										
Total recurring fair value measurements										
Total recurring fair value measurements										
Total recurring fair value measurements										
Nonrecurring fair value measurements:										
Nonrecurring fair value measurements:										
Nonrecurring fair value measurements:										



Total nonrecurring fair value measurements
Total nonrecurring fair value measurements

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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(Continued)

NOTE 15 16 - FAIR VALUE MEASUREMENTS (continued)

The following table presents quantitative information about unobservable inputs used in nonrecurring level 3 fair value measurements at **March 31, 2024** **June 30, 2024** and December 31, 2023 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Inputs	Range		
				High	Low	Weighted Average
March 31, June 30, 2024						
Individually evaluated collateral dependent loans	\$ 1,483 1,674	Estimated sales price	Adjustments for comparable properties, discounts to reflect current market conditions	Not applicable		
December 31, 2023						
Individually evaluated collateral dependent loans	\$ —	Estimated sales price	Adjustments for comparable properties, discounts to reflect current market conditions			

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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NOTE 16 - FAIR VALUE MEASUREMENTS (continued)

Carrying amounts and estimated fair values of financial instruments as of **March 31, 2024** **June 30, 2024** and December 31, 2023 were as follows (in thousands):

	Fair Value Measurements at the End of the Reporting Period Using			Fair Value Measurements at the End of the Reporting Period Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying Amount	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount
March 31, 2024						
June 30, 2024						
FINANCIAL ASSETS:						
FINANCIAL ASSETS:						
FINANCIAL ASSETS:						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents						
Debt securities, held-to-maturity, net						

Debt securities, held-to-maturity, net

Debt securities, held-to-maturity, net

Loans, net

Loans, net

Loans, net

Loans held-for-sale

Accrued interest receivable

FINANCIAL

LIABILITIES:

FINANCIAL

LIABILITIES:

FINANCIAL

LIABILITIES:

Deposits

Deposits

Deposits

Short-term borrowings

Long-term debt

Accrued interest payable

December 31, 2023

December 31, 2023

December 31, 2023

FINANCIAL ASSETS:

FINANCIAL ASSETS:

FINANCIAL ASSETS:

Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

Debt securities, held-to-maturity, net

Debt securities, held-to-maturity, net

Debt securities, held-to-maturity, net

Loans, net

Loans, net

Loans, net

Accrued interest receivable

FINANCIAL

LIABILITIES:

FINANCIAL

LIABILITIES:

FINANCIAL

LIABILITIES:

Deposits

Deposits
Deposits
Short-term borrowings
Long-term debt
Accrued interest payable

The fair values of off-balance-sheet financial instruments such as loan commitments and letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements. The fair values of such instruments were not material at **March 31, 2024** **June 30, 2024** and December 31, 2023.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 15 - FAIR VALUE MEASUREMENTS (continued)

Fair values of financial instruments are based on various assumptions, including the discount rate and estimates of future cash flows. Therefore, the fair values presented may not represent amounts that could be realized in actual transactions. In addition, because the required disclosures exclude certain financial instruments and all nonfinancial instruments, any aggregation of the fair value amounts presented would not represent the underlying value of LCNB.

LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

NOTE 16 17 - SUBSEQUENT EVENT

During April 2024 LCNB decided to consolidate its Miami Heights Office, located at 7553 Bridgetown Road, Cincinnati, Ohio into its Bridgetown Road Office, located at 6415 Bridgetown Road, Cincinnati, Ohio. The consolidation **will occur** occurred at the close of business on Wednesday, July 31, 2024. LCNB recently acquired the Miami Heights Office through the merger with CNNB and then acquired the Bridgetown Road Office through the merger with EFBI and they **are** **were** in close proximity to each other. Deposit and loan accounts held at the Miami Heights Office **will** **were** automatically **be** transferred to the Bridgetown Road Office. LCNB does not expect the consolidation **will** have a material impact on **its** results of consolidated operations or financial position. The Miami Heights Office building **will** **no longer be depreciated**, **will** be marketed for sale, and the resulting gain or loss from the sale is not expected to be material.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Certain statements made in this document 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. Please refer to LCNB's Annual Report on Form 10-K for the year ended December 31, 2023, as well as its other filings with the SEC, for a more detailed discussion of risks, uncertainties and factors that could cause actual results to differ from those discussed in the forward-looking statements.

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's ability to integrate recent and future acquisitions, **including CNNB and EFBI**, **may** be unsuccessful or may be more difficult, time-consuming, or costly than expected;
3. LCNB may incur increased loan charge-offs in the future and the allowance for credit losses may be inadequate;
4. LCNB may face competitive loss of customers;
5. changes in the interest rate environment, which may include further interest rate increases, may have results on LCNB's operations materially different from those anticipated by LCNB's market risk management functions;
6. changes in general economic conditions and increased competition could adversely affect LCNB's operating results;

7. changes in regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact LCNB's operating results;
8. LCNB may experience difficulties growing loan and deposit balances;
9. United States trade relations with foreign countries could negatively impact the financial condition of LCNB's customers, which could adversely affect LCNB's operating results and financial condition;
10. global or domestic geopolitical relations and/or conflicts could create financial market uncertainty and have negative impacts on commodities and currency, which could adversely affect LCNB's operating results and financial condition;
11. difficulties with technology or data security breaches, including cyberattacks or widespread outages, could negatively affect LCNB's ability to conduct business and its relationships with customers, vendors, and others;
12. adverse weather events and natural disasters and global and/or national epidemics could negatively affect LCNB's customers given its concentrated geographic scope, which could impact LCNB's operating results; and
13. government intervention in the U.S. financial system, including the effects of legislative, tax, accounting, and regulatory actions and reforms, including the Dodd-Frank Act, the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau, the capital ratios of Basel III as adopted by the federal banking authorities, changes in deposit insurance premium levels, and any such future regulatory actions or reforms.

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Critical Accounting Estimates

The accounting policies of LCNB conform to U.S. generally accepted accounting principles and require management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. These estimates and assumptions are based on information available to management as of the date of the financial statements. Actual results could differ significantly from management's estimates. As this information changes, management's estimates and assumptions used to prepare LCNB's financial statements and related disclosures may also change. The most significant accounting policies followed by LCNB are presented in Note 1 of the Notes to Consolidated Financial Statements included in LCNB's 2023 Annual Report on Form 10-K filed with the SEC. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the items described below to be the accounting areas that require the most subjective or complex judgments and, as such, could be most subject to revision as new information becomes available.

Business Combinations. Assets acquired, including identified intangible assets such as core deposit intangibles, and liabilities assumed as a result of a merger or acquisition transaction are recorded at their estimated fair values. The difference between the consideration paid and the net fair value of assets acquired and liabilities assumed is recorded as goodwill. Management engages third-party specialists to assist in the development of fair value estimates. Significant estimates and assumptions used to value acquired assets and liabilities assumed include, but are not limited to, projected cash flows, future growth rates, repayment rates, default rates and losses assuming default, discount rates, and realizable collateral values. The allowance for credit losses for PCD loans is recognized within acquisition accounting. The allowance for credit losses for non-PCD assets is recognized as provision for credit losses in the same reporting period as the merger or acquisition. Fair value adjustments are amortized or accreted into the income statement over the estimated lives of the acquired assets and assumed liabilities. The purchase date valuations and any subsequent adjustments determine the amount of goodwill recognized in connection with the merger or acquisition.

Preliminary estimates of fair values may be adjusted for a period of time no greater than one year subsequent to the merger or acquisition date if new information is obtained about facts and circumstances that existed as of the merger or acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Adjustments recorded during this period are recognized in the current reporting period.

Allowance for Credit Losses. The allowance is maintained at a level LCNB management believes is adequate to absorb estimated credit losses identified and inherent in the loan portfolio. The allowance is established through a provision for credit losses charged to as an expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that management believes will be adequate to absorb estimated losses over the contractual terms in the loan portfolio based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current and forecasted economic conditions that may affect the borrowers' ability to pay. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. This ASU (as subsequently amended by ASU 2018-19) significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. This standard replaced the "incurred loss" approach with an "expected loss" model. Referred to as the CECL model, this standard applies to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures. The standard also expanded disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance. In addition, entities need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

LCNB adopted CECL effective January 1, 2023 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with the incurred loss accounting standards. The transition adjustment of the CECL adoption included an increase in the allowance of \$2.4 million, and a \$1.9 million decrease to the retained earnings account to reflect the cumulative effect of adopting CECL on the Consolidated Balance Sheet, with the \$0.5 million tax impact portion being recorded as part of the deferred tax asset in other assets in the condensed consolidated balance sheet.

Accounting for Intangibles. LCNB's intangible assets are composed primarily of goodwill and core deposit intangibles related to acquisitions of other financial institutions.

Accounting rules require LCNB to determine the fair value of all the assets and liabilities of an acquired entity and to record their fair values on the date of acquisition. LCNB employs a variety of means in determining fair values, including the use of discounted cash flow analysis, market comparisons and projected future revenue streams. For those items for which management concludes that LCNB has the appropriate expertise to determine fair value, management may choose to use its own calculation of fair value. In other cases, where the fair value is not readily determined, consultation with outside parties is used to determine fair value. Once valuations have been determined, the net difference between the price paid for the acquired entity and the fair value of the balance sheet is recorded as goodwill. Goodwill is assessed at least annually for impairment, with any such impairment recognized in the period identified. A more frequent assessment is performed if there are material changes in the market place or within the organizational structure.

Core deposit intangibles acquired from business combinations are initially measured at their estimated fair values and are then amortized on a straight-line basis over their estimated useful lives. Management evaluates whether triggering events or circumstances have occurred that indicate the remaining useful life or carrying value of the amortizing intangible should be revised.

Fair Value Accounting for Debt Securities. Debt securities classified as available-for-sale are recorded at fair value with unrealized gains and losses recorded in other comprehensive income (loss), net of tax. Available-for-sale debt securities in unrealized loss positions are evaluated to determine if the decline in fair value should be recorded in income or in other comprehensive income (loss). LCNB first determines if it intends to sell or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through income. If neither of these criteria is met, LCNB evaluates whether the decline in fair value resulted from credit factors. In making this determination, management considers, among other factors, the extent to which fair value is less than the amortized cost basis, any changes to the rating of the security by rating agencies, and any adverse conditions specifically related to the security or issuer. If the present value of cash flows expected to be collected is less than the amortized cost basis, a provision is recorded to the allowance for credit losses. Any decline in fair value not recorded through an allowance for credit losses is recognized in accumulated other comprehensive income (loss), net of applicable taxes.

Loans Held-For-Sale. Loans held-for-sale ("LHFS") represent mortgage loans intended to be sold in the secondary market and other loans that management has an active plan to sell. LHFS are carried at the lower-of-cost-or-fair value as determined on an aggregate basis by type of loan. Any write-downs to fair value upon the transfer of loans to LHFS are reflected in loan charge-offs. Any further decreases are recognized in non-interest income and increases in fair value above the loan cost basis are not recognized until the loans are sold.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations

Net income for the ~~respective three and six months ended March 31, 2024~~ June 30, 2024 was ~~\$1,915,000~~ \$925,000 (total basic and diluted earnings per share of ~~\$0.15~~). This compares to net income of ~~\$4,157,000~~ \$0.07 and ~~\$2,840,000~~ (total basic and diluted earnings per share of ~~\$0.37~~) \$0.21). This compares to net income of ~~\$4,694,000~~ (total basic and diluted earnings per share of ~~\$0.42~~) and ~~\$8,851,000~~ (total basic and diluted earnings per share of ~~\$0.79~~) for the same three-month period respective three and six-month periods in 2023. Results for the 2024 period periods were affected by the acquisition expenses incurred in connection with the acquisitions of Eagle Financial Bancorp, Inc. on April 12, 2024 and Cincinnati Federal Bancorp, Inc. on November 1, 2023.

Net interest income for the three and six months ended ~~March 31, 2024~~ June 30, 2024 was ~~\$15,217,000~~ and ~~2023 was \$13,895,000~~ \$29,112,000, respectively. This compares to net interest income of ~~\$14,177,000~~ and ~~\$13,942,000, respectively~~ \$28,119,000 for the same respective three and six-month periods in 2023. The decrease increase in net interest income was primarily due to increased loan interest paid income caused by higher average loan balances and an increase in the average rate earned on the loan portfolio. This increase was partially offset by increased interest expense recognized on higher amounts of average interest-bearing demand and money market deposits, IRA and time certificates, and long-term borrowings and to higher interest expense associated with the rapid year-over-year increase in the Effective Federal Funds Rate. These increases in interest expense were partially offset by increased interest income from higher average loan balances and an increase in the average rate earned on the loan portfolio. paid for these liabilities. The higher average loan and deposit balances during the 2024 period periods were partially due to the acquisition of Cincinnati Federal, EFBI and CNNB. The increases in average rates earned on loans and paid for deposits and debt is associated with the rapid increase in the Effective Federal Funds Rate. LCNB's tax equivalent net interest margin for the first ~~three~~ six months of 2024 was ~~2.73%~~ 2.80%, compared to 3.28% for the same period last year.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

LCNB recorded a provision for credit losses of \$125,000 \$528,000 and \$653,000 for the three and six months ended June 30, 2024, respectively. This compares to a provision of \$30,000 for the three months ended March 31, 2024. This compares to June 30, 2023 and a net recovery of credit losses of \$57,000 \$27,000 for the three six months ended March 31, 2023 June 30, 2023. The provisions for 2024 include \$763,000 recognized on non-PCD loans acquired through the Eagle Financial Bancorp merger.

Non-interest income for the three and six months ended March 31, 2024 June 30, 2024 was \$4,080,000 and 2023 was \$3,929,000 \$8,009,000, respectively. This compares to non-interest income of \$3,646,000 and \$3,581,000, respectively. \$7,227,000 for the same respective periods in 2023. The increase for both the three and six-month periods was primarily due to higher amounts of fiduciary income and net gains recognized on the sale of residential mortgage loans. Partially offsetting non-interest income during the 2024 quarter was an \$843,000 pretax loss on the sale of approximately \$48.9 million of below market rate loans acquired from Cincinnati Bancorp.

Non-interest expense for the three and six months ended March 31, 2024 June 30, 2024 was \$15,472,000, \$17,825,000 and \$33,297,000, respectively, compared to \$12,525,000 \$12,078,000 and \$24,603,000 for the same three-month period three and six-month periods in 2023. The increase was primarily due to higher expenses associated with the additional personnel and offices resulting from the acquisition acquisitions of Eagle Financial Bancorp and Cincinnati Federal Bancorp and to one-time expenses totaling \$775,000 associated with the Cincinnati Federal and EFBI two acquisitions. In addition, non-interest expense for the 2023 second quarter benefited from a \$425,000 gain recognized on the sale of an office building that had been closed as a result of LCNB's office consolidation strategy.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

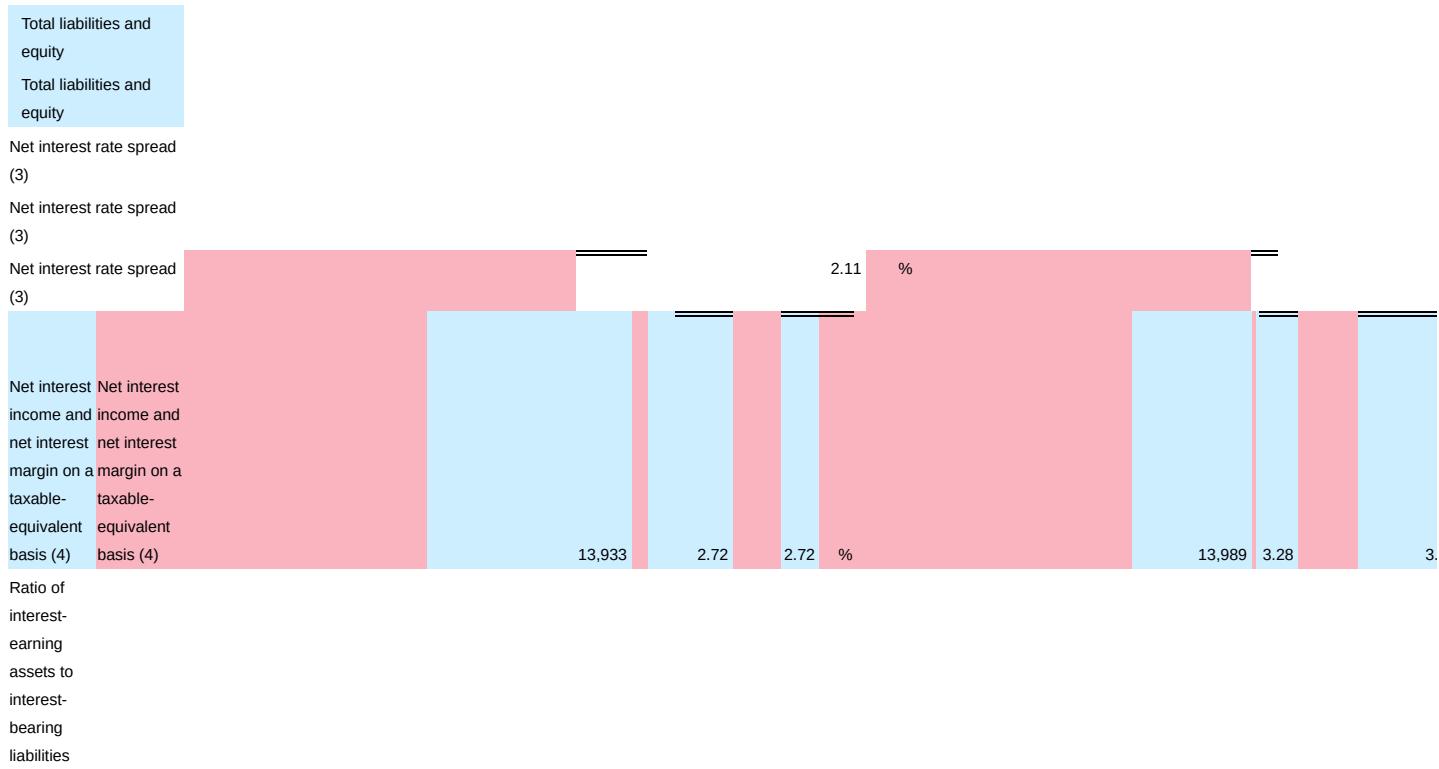
Net Interest Income

Three Months Ended June 30, 2024 vs. June 30, 2023

LCNB's primary source of earnings is net interest income, which is the difference between earnings from loans and other investments and interest paid on deposits and other liabilities. The following table presents, for the three months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023, average balances for interest-earning assets and interest-bearing liabilities, the income or expense related to each item, and the resulting average yields earned or rates paid.

	Three Months Ended March 31,									
	2024		2024				2023			
	Average Outstanding Balance	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate			
(Dollars in thousands)										
Loans (1)										
Loans (1)										
Loans (1)	\$1,722,568	22,682	22,682	5.30	5.30 %	\$1,389,385	16,143	16,143	4.71	4.71 %
Interest-bearing demand deposits										
Interest-bearing demand deposits										
Interest-bearing demand deposits	23,317	324	324	5.59	5.59 %	12,500	157	157	5.09	5.09 %
Federal Reserve Bank stock										
Federal Reserve Bank stock										
Federal Reserve Bank stock	5,509	(4)	(4)	(0.29)	(0.29) %	4,652	—	—	—	— %
Federal Home Loan Bank stock	16,239	341	341	8.45	8.45 %	6,796	62	62	3.70	3.70 %
Investment securities:										
Equity securities										
Equity securities										
Equity securities	4,995	40	40	3.22	3.22 %	4,337	37	37	3.46	3.46 %

Debt securities, taxable	Debt securities, taxable	265,164	1,232	1,232	1.87	1.87	%	286,369	1,343	1,343	1.90	1.90 %	Debt securities, taxable
Debt securities, non-taxable	Debt securities, non-taxable	18,864	181	181	3.86	3.86	%	24,969	223	223	3.62	3.62 %	Debt securities, non-taxable
(2)	(2)												(2)
Total earnings assets	Total earnings assets	2,056,656	24,796	24,796	4.85	4.85	%	1,729,008	17,965	17,965	4.21	4.21 %	Total earnings assets
Non-earning assets													
Allowance for credit losses													
Allowance for credit losses													
Allowance for credit losses													
Total assets													
Total assets													
Total assets													
Interest-bearing demand and money market deposits													
Interest-bearing demand and money market deposits													
Interest-bearing demand and money market deposits													
\$ 643,199	3,917			3,917	2.45	2.45	%	\$ 505,382	1,245	1,245	1.00	1.00 %	
Savings deposits	Savings deposits	368,049	206	206	0.23	0.23	%	415,873	139	139	0.14	0.14 %	Savings deposits
IRA and time certificates	IRA and time certificates	370,130	4,067	4,067	4.42	4.42	%	185,297	1,072	1,072	2.35	2.35 %	IRA and time certificates
Short-term borrowings	Short-term borrowings	65,052	935	935	5.78	5.78	%	94,591	1,304	1,304	5.59	5.59 %	Short-term borrowings
Long-term debt	Long-term debt	150,177	1,738	1,738	4.65	4.65	%	18,983	216	216	4.61	4.61 %	Long-term debt
Total interest-bearing liabilities	Total interest-bearing liabilities	1,596,607	10,863	10,863	2.74	2.74	%	1,220,126	3,976	3,976	1.32	1.32 %	Total interest-bearing liabilities
Demand deposits													
Other liabilities													
Other liabilities													
Other liabilities													
Equity													
Equity													
Equity													
Total liabilities and equity													



(1) Includes non-accrual loans and loans held for sale held-for-sale.

(2) Income from tax-exempt securities is included in interest income on a taxable-equivalent basis. Interest income has been divided by a factor comprised of the complement of the increment tax rate of 21%.

(3) The net interest spread is the difference between the average rate on total interest-earning assets and interest-bearing liabilities.

(4) The net interest margin is the taxable-equivalent net interest income divided by average interest-earning assets.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The following table presents the changes in taxable-equivalent basis interest income and expense for each major category of interest-earning assets and interest-bearing liabilities and the amount of change attributable to volume and rate changes for the three months ended **March 31, 2024** **June 30, 2024** as compared to the same period in 2023. Changes not solely attributable to rate or volume have been allocated to volume and rate changes in proportion to the relationship of absolute dollar amounts of the changes in each.

	Three Months Ended March 31, 2024 vs. 2023			Three Months Ended June 30, 2024 vs. 2023			Increase (decrease) attributable to:	
	Volume	Rate	Total	Volume	Rate	Total		
(In thousands)			(In thousands)					

Interest-earning Assets:

Loans	
Loans	
Loans	
Interest-bearing demand deposits	
Interest-bearing demand deposits	
Interest-bearing demand deposits	
Federal Reserve Bank stock	
Federal Reserve Bank stock	



Net interest income on a fully taxable-equivalent basis for the three months ended **March 31, 2024** **June 30, 2024** totaled **\$13,933,000**, a decrease **\$15,256,000**, an increase of **\$56,000** **\$1,033,000** from the comparable period in 2023. Total interest income increased **\$6,831,000** **\$8,255,000**, which was more than partially offset by an increase in total interest expense of **\$6,887,000** **\$7,222,000**.

The **\$6,831,000** **\$8,255,000** increase in total interest income was primarily due primarily to a **\$6,539,000** an **\$8,073,000** increase in loan interest income. The increase in loan interest income was primarily due to a **net 59** **\$412.3 million** increase in average loan balances and secondarily to a **71** basis point (a basis point equals 0.01%) increase in the average rate earned on the loan portfolio due to higher market rates and secondarily to a **\$333.2 million** increase in average loan balances. **rates**. Loan balances increased due to organic growth in the loan portfolio and to loans acquired in the merger **mergers** with **Cincinnati Federal, EFBI and CNNB**.

The **\$6,887,000** **\$7,222,000** increase in total interest expense was primarily due to a **\$2,672,000** **\$1,978,000** increase in interest expense for interest-bearing demand and money market deposits, a **\$2,995,000** **\$4,204,000** increase in interest expense for IRA and time certificates, and a **\$1,522,000** **\$1,694,000** increase in interest expense for long-term debt. Interest expense on interest-bearing demand and money market deposits increased primarily due to a **145** **99** basis point increase in the average rate paid for these deposits and secondarily to a **\$138.8 million** **\$127.4 million** increase in average deposit balances. Interest expense on IRA and time certificates increased due to a **\$184.8 million** **\$277.9 million** increase in average deposit balances and to a **207** **175** basis point increase in the average rate paid. Deposit balances increased due to a combination of organic growth and to balances obtained in the **merger** **mergers** with **Cincinnati Federal**.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion EFBI and Analysis of Financial Condition and Results of Operations (continued) **CNNB.**

Interest expense on long-term debt increased primarily due to a **\$131.2 million** **\$144.0 million** increase in the average balance outstanding caused by new FHLB advances, which were used to pay down short-term borrowings, promote loan growth, and increase liquidity.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Increases in market rates **during 2022 through the first quarter of 2024** were primarily caused by FOMC increases in the **Targeted Federal Funds rate**. The **Targeted Federal Funds** **targeted federal funds rate**, which increased by 425 basis points during 2022 and by an additional 100 basis points during 2023.

Six Months Ended June 30, 2024 vs. June 30, 2023

The following table presents, for the six months ended June 30, 2024 and June 30, 2023, average balances for interest-earning assets and interest-bearing liabilities, the income or expense related to each item, and the resulting average yields earned or rates paid.

	Six Months Ended June 30,	
	2024	2023

	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
(Dollars in thousands)						
Loans (1)	\$ 1,770,410	47,518	5.40 %	\$ 1,397,708	32,906	4.75 %
Interest-bearing demand deposits	18,730	539	5.79 %	11,132	301	5.45 %
Federal Reserve Bank stock	5,879	176	6.02 %	4,652	140	6.07 %
Federal Home Loan Bank stock	18,196	708	7.82 %	6,754	183	5.46 %
Investment securities:						
Equity securities	4,990	79	3.18 %	3,858	75	3.92 %
Debt securities, taxable	262,467	2,415	1.85 %	284,343	2,666	1.89 %
Debt securities, non-taxable (2)	18,690	365	3.93 %	24,713	443	3.61 %
Total earnings assets	2,099,362	<u>51,800</u>	4.96 %	1,733,160	<u>36,714</u>	4.27 %
Non-earning assets	261,367			199,537		
Allowance for credit losses	(10,954)			(7,692)		
Total assets	\$ 2,349,775			\$ 1,925,005		
Interest-bearing demand and money market deposits	\$ 645,986	7,492	2.33 %	\$ 513,447	2,842	1.12 %
Savings deposits	370,145	513	0.28 %	405,563	273	0.14 %
IRA and time certificates	431,714	9,875	4.60 %	200,434	2,676	2.69 %
Short-term borrowings	38,171	1,116	5.88 %	86,996	2,312	5.36 %
Long-term debt	156,366	3,615	4.65 %	18,747	399	4.29 %
Total interest-bearing liabilities	1,642,382	<u>22,611</u>	2.77 %	1,225,187	<u>8,502</u>	1.40 %
Demand deposits	447,423			474,715		
Other liabilities	20,447			21,846		
Equity	239,523			203,257		
Total liabilities and equity	\$ 2,349,775			\$ 1,925,005		
Net interest rate spread (3)			2.19 %			2.87 %
Net interest income and net interest margin on a taxable-equivalent basis (4)		29,189	2.80 %		28,212	3.28 %
Ratio of interest-earning assets to interest-bearing liabilities	<u>127.82 %</u>			<u>141.46 %</u>		

Includes
non-
accrual
loans
and
loans
held-for-
sale.

- (1)
- (2)
- (3)
- (4)

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The following table presents the changes in taxable-equivalent basis interest income and expense for each major category of interest-earning assets and interest-bearing liabilities and the amount of change attributable to volume and rate changes for the three months ended June 30, 2024 as compared to the same period in 2023. Changes not solely attributable to rate or volume have been allocated to volume and rate changes in proportion to the relationship of absolute dollar amounts of the changes in each.

Six Months Ended
June 30, 2024 vs. 2023

	Increase (decrease) attributable to:		
	Volume	Rate	Total
	(In thousands)		
Interest-earning Assets:			
Loans	\$ 9,580	5,032	14,612
Interest-bearing demand deposits	218	20	238
Federal Reserve Bank stock	37	(1)	36
Federal Home Loan Bank stock	418	107	525
Investment securities:			
Equity securities	20	(16)	4
Debt securities, taxable	(202)	(49)	(251)
Debt securities, non-taxable	(115)	37	(78)
Total interest income	9,956	5,130	15,086
Interest-bearing Liabilities:			
Interest-bearing demand and money market deposits	887	3,763	4,650
Savings deposits	(26)	266	240
IRA and time certificates	4,449	2,750	7,199
Short-term borrowings	(1,408)	212	(1,196)
Long-term debt	3,179	37	3,216
Total interest expense	7,081	7,028	14,109
Net interest income	\$ 2,875	(1,898)	977

Net interest income on a fully taxable-equivalent basis for the six months ended June 30, 2024 totaled \$29,189,000, an increase of \$977,000 from the comparable period in 2023. Total interest income increased \$15,086,000, which was partially offset by an increase in total interest expense of \$14,109,000.

The \$15,086,000 increase in total interest income was primarily due to an \$14,612,000 increase in loan interest income. The increase in loan interest income was primarily due to a \$372.7 million increase in average loan balances and secondarily to a 65 basis point increase in the average rate earned on the loan portfolio due to higher market rates. Loan balances increased due to organic growth in the loan portfolio and to loans acquired in the mergers with EFBI and CNNB.

The \$14,109,000 increase in total interest expense was primarily due to a \$4,650,000 increase in interest expense for interest-bearing demand and money market deposits, a \$7,199,000 increase in interest expense for IRA and time certificates, and a \$3,216,000 increase in interest expense for long-term debt. Interest expense on interest-bearing demand and money market deposits increased primarily due to a 121 basis point increase in the average rate paid for these deposits and secondarily to a \$132.5 million increase in average deposit balances. Interest expense on IRA and time certificates increased due to a \$231.3 million increase in average deposit balances and to a 191 basis point increase in the average rate paid. Deposit balances increased due to a combination of organic growth and to balances obtained in the mergers with EFBI and CNNB.

Interest expense on long-term debt increased primarily due to a \$137.6 million increase in the average balance outstanding caused by new FHLB advances, which were used to pay down short-term borrowings, promote loan growth, and increase liquidity.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Provision and Allowance For Credit Losses

LCNB continuously reviews the loan portfolio for credit risk through the use of its lending and loan review functions. Independent loan reviews analyze specific loans, providing validation that credit risks are appropriately identified, graded, and reported to the Loan Committee, Board of Directors, and the Audit Committee of the Board of Directors. New credits meeting specific criteria are analyzed prior to origination and are reviewed by the Loan Committee, the Loan Committee of the Board of Directors, and the Board of Directors.

The total provision for credit losses is determined based upon management's evaluation as to the amount needed to maintain the allowance for credit losses at a level considered appropriate in relation to the risk of losses inherent in the portfolio. For analysis purposes, the loan portfolio is separated into pools of similar loans. These pools include commercial and industrial loans, owner occupied commercial real estate loans, non-owner occupied commercial real estate loans, real estate loans secured by farms, real estate loans secured by multi-family dwellings, residential real estate loans secured by senior liens on 1-4 family dwellings, residential real estate loans secured by junior liens on 1-4 family dwellings, home equity line of credit loans, consumer loans, loans for agricultural purposes not secured by real estate, construction loans secured by 1-4 family dwellings, construction loans secured by other real estate, and several smaller classifications. Within each pool of loans, LCNB examines a variety of factors to determine the adequacy of the allowance for credit losses, including historic charge-off percentages, overall pool quality, a review of specific problem loans, current economic trends and conditions that may affect borrowers' ability to pay, and the nature, volume, and consistency of the loan pool.

LCNB recorded a provision for credit losses of \$125,000 for the first quarter of 2024, and compared to a net recovery provision of credit losses of \$57,000 for the comparable period in 2023. The provision for the 2024 period included a provision for credit losses on loans of \$77,000 and a net recovery for off-balance-sheet credit exposures of \$16,000. The provision for the 2023 period included a provision for credit losses on loans of \$132,000 and a net recovery for off-balance-sheet credit exposures of \$101,000. For the six months ended June 30, 2024, LCNB recorded a provision for credit losses of \$653,000, compared to a net recovery of \$27,000 for the comparable period in 2023. The provision for the 2024 six-month period included a provision for credit losses on loans of \$619,000 and a provision for off-balance-sheet credit exposures of \$48,000. The 2023 net recovery was due to a recovery of \$89,000 on off-balance sheet credit exposures, partially offset by a provision for credit losses on loans of \$32,000 on loans. \$164,000 and a net recovery for off-balance-sheet credit exposures of \$190,000.

The provisions for credit losses on loans during the three and six-month 2024 periods included \$763,000 recognized on non-PCD loans acquired through the EFBI merger and the six-month period includes an included a \$1.2 million increase in the allowance for a commercial real estate, non-owner occupied loan that was individually evaluated for the first time. This increase was time during the first quarter 2024. These increases were largely offset by a recovery of credit losses in the pooled real estate mortgage loan category. The residential real estate mortgage loan category had a recovery of credit losses primarily due to a decrease in loss rates partially reflecting a change in qualitative factors and to a decrease in loan balances largely due to caused by a transfer to the loans held for sale held-for-sale category.

Calculating an appropriate level for the allowance and provision for credit losses involves a high degree of management judgment and is, by its nature, imprecise. Revisions may be necessary as more information becomes available or if market conditions change.

Net charge-offs for the three and six months ended March 31, 2024 June 30, 2024 totaled \$45,000, \$18,000 and \$63,000, respectively, compared to net charge-offs of \$16,000 \$33,000 and \$49,000 for the same period respective periods in 2023.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Non-Interest Income

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

A comparison of non-interest income for the three and six months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023 is as follows (in thousands):

	Three Months Ended March 31,			Six Months Ended June 30,					
	2024	2023	Difference	2024	2023	Difference	2024	2023	Difference
Fiduciary income									
Service charges and fees on deposit accounts									
Net losses from sales of debt securities, available-for-sale									
Bank-owned life insurance income									
Net gains from sales of loans									
Other operating income (loss)									
Total non-interest income									

Reasons for changes include:

- Fiduciary income increased primarily due to increases in the fair values of trust and brokerage assets managed, on which fees are based. The increases in fair value are due to the opening of new Wealth Management customer accounts and to an increase in the market values of managed assets.
- Service charges and fees on deposit accounts decreased for the three-month period increased primarily due to increases in check card income and fee income received on the ICS product, partially offset by a decreases in several fee categories, including overdraft fees, ATM usage fees, and deposit account fees in general. LCNB reduced overdraft fees from \$35 per occurrence to \$25 effective November 1, 2023.
- Net losses from sales of debt securities during 2024 reflect losses recognized on the sale of municipal securities with an amortized cost basis of approximately \$9.8 million.
- Net gains from sales of loans increased due to a higher volume of residential real estate loan sales. Partially offsetting these gains was an \$843,000 pretax loss on the sale of approximately \$48.9 million of below market rate loans acquired from CNNB.
- Other operating income decreased primarily due to an increase in amortization of capitalized mortgage servicing rights, which amortization is netted for accounting purposes against fee income recognized from the servicing of sold residential mortgage loans.

Non-Interest Expense

A comparison of non-interest expense for the three months ended March 31, 2024 and March 31, 2023 is as follows (in thousands):

	Three Months Ended March 31,		
	2024	2023	Difference
Salaries and employee benefits	\$ 8,554	7,349	1,205
Equipment expenses	390	361	29
Occupancy expense, net	1,005	963	42
State financial institutions tax	428	397	31
Marketing	174	192	(18)
Amortization of intangibles	236	111	125
FDIC insurance premiums, net	504	215	289
Contracted services	784	641	143
Merger-related expenses	775	—	775
Other non-interest expense	2,622	2,296	326
Total non-interest expense	\$ 15,472	12,525	2,947

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

A comparison of non-interest expense for the three and six months ended June 30, 2024 and June 30, 2023 is as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Difference	2024	2023	Difference
Salaries and employee benefits	\$ 9,006	7,061	1,945	\$ 17,560	14,410	3,150
Equipment expenses	395	417	(22)	785	778	7
Occupancy expense, net	944	599	345	1,949	1,562	387
State financial institutions tax	476	396	80	904	793	111
Marketing	210	320	(110)	384	512	(128)
Amortization of intangibles	298	112	186	534	223	311
FDIC insurance premiums, net	394	224	170	898	439	459
Contracted services	844	666	178	1,628	1,307	321
Merger-related expenses	2,320	415	1,905	3,095	440	2,655
Other non-interest expense	2,938	1,868	1,070	5,560	4,139	1,421
Total non-interest expense	\$ 17,825	12,078	5,747	\$ 33,297	24,603	8,694

Reasons for changes include:

- Salaries and employee benefits increased in 2024 due to overall wage and benefit increases, an increased number of employees due to the acquisition of Cincinnati Federal, EFBI and CNNB, higher sales commissions, and higher health insurance costs.
- Occupancy expense increased primarily due to maintenance and repair costs related to LCNB's office facilities. Also contributing to the increase were increased utility and depreciation expenses caused by the additional offices acquired from EFBI and CNNB.
- Amortization of intangibles increased due to the amortization of core deposit intangibles recognized from the acquisition acquisitions of Cincinnati Federal, EFBI and CNNB.
- FDIC insurance premiums increased due to a higher assessment base, partially reflecting increased assets resulting from the acquisition acquisitions of Cincinnati Federal, EFBI and CNNB, and to an increase in the assessment rate charged.
- Contracted services increased because of higher fees paid for LCNB's loan operations system, outside data services, and recruitment firm services. The increases reflect LCNB's continuing commitment to human and technology resources to meet increasing customer needs.
- Merger-related expenses reflect costs incurred in connection with the acquisition acquisitions of Cincinnati Bancorp, Inc., which closed on November 1, 2023, EFBI and with the acquisition of Eagle Financial Bancorp, Inc., which closed on April 12, 2024, CNNB.
- Other non-interest expense increased due for the 2023 second quarter benefited from a \$425,000 gain recognized on the sale of an office building that had been closed as a result of LCNB's office consolidation strategy. The remaining net increases for the three and six month periods can be attributed to general smaller increases in a number of

miscellaneous various other accounts.

Income Taxes

LCNB's effective tax rate for the three and six months ended **March 31, 2024** **June 30, 2024** was **14.0%** **2.0%** and **10.4%**, respectively compared to **17.9%** and **17.8%** for the same respective **three months ended March 31, 2023** **periods in 2023**. The difference between the statutory rate of 21% and the effective tax rates is primarily due to tax-exempt interest income from municipal securities, tax-exempt earnings from bank-owned life insurance, tax-exempt earnings from LCNB Risk Management, Inc., and tax credits and losses related to investments in affordable housing tax credit limited partnerships. The effective tax rate for 2024 was lower due to tax-exempt items not decreasing in proportion to the overall decrease in earnings.

Financial Condition

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition

A comparison of balance sheet line items at **March 31, 2024** **June 30, 2024** and December 31, 2023 is as follows (dollars in thousands):

	March 31, 2024	December 31, 2023	Difference \$	Difference %	June 30, 2024	December 31, 2023
ASSETS:						
Total cash and cash equivalents						
Total cash and cash equivalents						
Total cash and cash equivalents	\$ 32,951	39,723	39,723	(6,772)	(6,772)	(17.05)
Investment securities:						
Investment securities:						
Investment securities:						
Equity securities with a readily determinable fair value, at fair value						
Equity securities with a readily determinable fair value, at fair value						
Equity securities with a readily determinable fair value, at fair value	1,334	1,336	1,336	(2)	(2)	(0.15)
Equity securities without a readily determinable fair value, at cost						
Equity securities without a readily determinable fair value, at cost						
Equity securities without a readily determinable fair value, at cost	3,666	3,666	3,666	—	—	(0.15)%
Debt securities, available-for-sale, at fair value						
Debt securities, available-for-sale, at fair value						
Debt securities, available-for-sale, at fair value	262,786	276,601	276,601	(13,815)	(13,815)	(4.99)%
Debt securities, held-to-maturity, net, at cost						
Debt securities, held-to-maturity, net, at cost						
Debt securities, held-to-maturity, net, at cost	16,746	16,858	16,858	(112)	(112)	(0.66)%
Equity securities without a readily determinable fair value, at cost						
Equity securities without a readily determinable fair value, at cost						
Equity securities without a readily determinable fair value, at cost	3,666	3,666	3,666	—	—	(0.66)%
Debt securities, available-for-sale, at fair value						
Debt securities, available-for-sale, at fair value						
Debt securities, available-for-sale, at fair value	261,357	276,601	276,601	(13,815)	(13,815)	(4.99)%
Debt securities, held-to-maturity, net, at cost						
Debt securities, held-to-maturity, net, at cost						
Debt securities, held-to-maturity, net, at cost	18,844	16,858	16,858	(112)	(112)	(0.66)%

Federal Reserve Bank stock, at cost	Federal Reserve Bank stock, at cost	5,774	5,086	5,086	688	688	13.53	13.53 %	Federal Reserve Bank stock, at cost	6,334	5,086
Federal Home Loan Bank stock, at cost	Federal Home Loan Bank stock, at cost	16,469	15,176	15,176	1,293	1,293	8.52	8.52 %	Federal Home Loan Bank stock, at cost	20,710	15,176
Loans, net	Loans, net	1,645,797	1,712,946	1,712,946	(67,149)	(67,149)	(3.92)	(3.92) %	Loans, net	1,725,477	1,712,946
Loans held for sale		75,581	—	75,581		NM					
Loans held-for-sale		44,002	—	44,002		NM					
Premises and equipment, net	Premises and equipment, net	36,690	36,302	36,302	388	388	1.07	1.07 %	Premises and equipment, net	40,766	36,302
Operating lease right-of-use assets	Operating lease right-of-use assets	5,838	6,000	6,000	(162)	(162)	(2.70)	(2.70) %	Operating lease right-of-use assets	6,026	6,000
Goodwill	Goodwill	79,559	79,509	79,509	50	50	0.06	0.06 %	Goodwill	93,922	79,509
Core deposit and other intangibles	Core deposit and other intangibles	8,903	9,494	9,494	(591)	(591)	(6.22)	(6.22) %	Core deposit and other intangibles	12,135	9,494
Bank-owned life insurance	Bank-owned life insurance	50,165	49,847	49,847	318	318	0.64	0.64 %	Bank-owned life insurance	53,510	49,847
Interest receivable	Interest receivable	9,115	8,405	8,405	710	710	8.45	8.45 %	Interest receivable	9,473	8,405
Other assets	Other assets	31,777	30,643	30,643	1,134	1,134	3.70	3.70 %	Other assets	38,889	30,643
Total assets	Total assets	\$2,283,151	2,291,592	2,291,592	(8,441)	(8,441)	(0.37)	(0.37) %	Total assets	\$2,371,313	2,291,592
LIABILITIES:											
LIABILITIES:											
LIABILITIES:											
Deposits:											
Deposits:											
Deposits:											
Non-interest-bearing											
Non-interest-bearing											
Non-interest-bearing		\$ 435,580	462,267	462,267	(26,687)	(26,687)	(5.77)	(5.77) %	\$ 449,110	462,267	462
Interest-bearing	Interest-bearing	1,422,913	1,362,122	1,362,122	60,791	60,791	4.46	4.46 %	Interest-bearing	1,493,950	1,362,122
Total deposits	Total deposits	1,858,493	1,824,389	1,824,389	34,104	34,104	1.87	1.87 %	Total deposits	1,943,060	1,824,389
Short-term borrowings	Short-term borrowings	10,000	97,395	97,395	(87,395)	(87,395)	(89.73)	(89.73) %	Short-term borrowings	—	97,395
Long-term debt	Long-term debt	162,638	113,123	113,123	49,515	49,515	43.77	43.77 %	Long-term debt	162,150	113,123
Operating lease liabilities	Operating lease liabilities	6,123	6,261	6,261	(138)	(138)	(2.20)	(2.20) %	Operating lease liabilities	6,290	6,261
Accrued interest and other liabilities	Accrued interest and other liabilities	12,234	15,121	15,121	(2,887)	(2,887)	(19.09)	(19.09) %	Accrued interest and other liabilities	14,599	15,121
Total liabilities	Total liabilities	2,049,488	2,056,289	2,056,289	(6,801)	(6,801)	(0.33)	(0.33) %	Total liabilities	2,126,099	2,056,289

SHAREHOLDERS' EQUITY:

SHAREHOLDERS' EQUITY:

SHAREHOLDERS' EQUITY:

Common shares												
Common shares												
Common shares	174,082	173,637	173,637	445		445	0.26		0.26 %	187,195	173,637	173
Retained earnings	Retained earnings	139,050	140,017	140,017	(967)	(967)	(0.69)		(0.69) %	136,883	140,017	
Treasury shares, at cost	Treasury shares, at cost	(56,015)	(56,015)	(56,015)	—	—	—		— %	(56,015)	(56,015)	
Accumulated other comprehensive loss, net of taxes	Accumulated other comprehensive loss, net of taxes	(23,454)	(22,336)	(22,336)	(1,118)	(1,118)	5.01		5.01 %	(22,849)	(22,336)	
Total shareholders' equity	Total shareholders' equity	233,663	235,303	235,303	(1,640)	(1,640)	(0.70)		(0.70) %	245,214	235,303	
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$2,283,151	2,291,592	2,291,592	(8,441)	(8,441)	(0.37)		(0.37) %	\$2,371,313	2,291,592	

Reasons for changes include:

- Available-for-sale debt securities decreased due to maturities, paydowns, sales, calls, and decreases in market valuation. Purchases of new securities were minimal during 2024.
- Net loans decreased increased primarily due to loans acquired through the merger with EFBI and to organic growth in the portfolio, partially offset by a transfer of loans totaling approximately \$64.9 million to the held for sale category.
- Loans held-for-sale primarily represents a portfolio of loans that are scheduled to be sold with servicing rights to an investor during the remainder of 2024.
- Goodwill increased primarily due to additional goodwill recognized as a result of the EFBI acquisition.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

- Loans held for sale represent a portfolio of loans that are scheduled to be sold with servicing rights to an investor during the second quarter 2024.
- Total deposits increased slightly during due to a combination of deposits acquired through the first three months of 2024. merger with EFBI and through organic deposit growth. There was, however, significant movement from non-interest-bearing deposits to interest-bearing deposits during 2023 and 2024, reflecting likely due to the increase increases in market rates.
- Long-term debt increased due to additional advances from the FHLB of Cincinnati. The new debt was used to pay down short-term borrowings and to support growth in liquidity and the loan portfolio.
- Accrued interest and other liabilities decreased Common shares increased primarily due to stock issued as part of the acquisition price for EFBI.

LCNB's loan portfolio represents its largest asset category and is its most significant source of interest income. Loan classifications have been identified as Commercial & Industrial, Commercial Real Estate, Residential Real Estate, Consumer, Agricultural, and Other. Commercial real estate is the largest classification in LCNB's loan portfolio, comprising about 64% of total loans at June 30, 2024.

Loans secured by commercial real estate consist of owner-occupied, nonowner-occupied, farmland, multi-family, and construction loans. A commercial real estate, owner-occupied loan finances the purchase, construction, or refinance of a combination building or other property for which the repayment of decreases principal is dependent upon cash flows from ongoing operations conducted by the party, or an affiliate of the party, who owns the property. A commercial real estate, non-owner occupied loan finances the purchase, construction or refinance of a building or other property for which the repayment of principal is dependent upon rental income associated with the property or the subsequent sale of the property. The values of these loans are primarily impacted by the level of interest rates associated with the debt and to local economic conditions, which dictate occupancy rates and the amount of rent charged. The increase in accrued bonuses and a decrease in LIHTC liabilities debt service due to funding payments made during higher interest rates may not be able to be passed on to tenants. As part of the first quarter origination process, loan interest rates and occupancy rates are stressed to determine the impact on the borrower's ability to maintain adequate debt service under different economic conditions. Further, LCNB monitors the concentration in any one industry and has established limits relative to the total of 2024, partially offset the Bank's tier 1 and tier 2 capital for each category of loan. Credit quality trends are monitored by an increase in accrued interest payable on deposits and borrowings.

- Accumulated other comprehensive loss, net of taxes increased because of continuing declines industry to determine if a change in the market valuation risk exposure to a certain industry may warrant a change in underwriting standards.

The following table provides a breakdown of amortized cost of commercial real estate loans by property-type classification as of June 30, 2024, excluding loans which are junior in lien or covered by collateral secured with varying classes of assets (dollars in thousands):

	Amount	% of Total
--	--------	------------

Multi-family	277,037	27 %
Retail	167,171	17 %
Office	124,905	12 %
Mixed use	97,841	10 %
Hotel/Motel	79,787	8 %
Self storage	45,680	5 %
Warehouse (one tenant)	39,270	4 %
Light industrial	29,698	3 %
Healthcare facilities	23,752	2 %
Manufacturing	21,475	2 %
Warehouse (more than one tenant)	15,360	2 %
Dental	10,836	1 %
Other	80,035	7 %
Total	1,012,847	100 %

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Most of LCNB's available-for-sale debt security investments, commercial real estate loans are made within its general market area of Southwest and South-Central Ohio and Northern Kentucky. The following table provides a breakdown of amortized cost of commercial real estate loans by real estate collateral location as of June 30, 2024, excluding loans which are junior in lien or covered by collateral secured with varying classes of assets (dollars in thousands):

	Amount	% of Total
Ohio	\$ 810,466	80 %
Kentucky	142,738	14 %
Indiana	46,342	5 %
Other	13,301	1 %
Total	\$ 1,012,847	100 %

Regulatory Capital

The Bank must meet certain minimum capital requirements set by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a material effect on the Company's and the Bank's financial statements. LCNB's and the Bank's capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

In addition to the minimum capital requirements, a financial institution needs to maintain a Capital Conservation Buffer composed of Common Equity Tier 1 Capital of at least 2.5% above its minimum risk-weighted capital requirements to avoid limitations on its ability to make capital distributions, including dividend payments to shareholders and certain discretionary bonus payments to executive officers. A financial institution with a buffer below 2.5% is subject to increasingly stringent limitations on capital distributions as the buffer approaches zero.

For various regulatory purposes, financial institutions are classified into categories based upon capital adequacy:

	Minimum Requirement with Capital Conservation Buffer	Minimum Requirement	
		Minimum Requirement	To Be Considered Well-Capitalized
Ratio of Common Equity Tier 1 Capital to risk-weighted assets	4.5 %	7.0 %	6.5 %
Ratio of Tier 1 Capital to risk-weighted assets	6.0 %	8.5 %	8.0 %
Ratio of Total Capital (Tier 1 Capital plus Tier 2 Capital) to risk-weighted assets	8.0 %	10.5 %	10.0 %
Leverage Ratio (Tier 1 Capital to adjusted quarterly average total assets)	4.0 %	N/A	5.0 %

As of the most recent notification from their regulators, the Bank and LCNB were categorized as "well-capitalized" under the regulatory framework for prompt corrective action. Management believes that no conditions or events have occurred since the last notification that would change the Bank's or LCNB's category.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

A summary of the Bank's regulatory capital and capital ratios follows (dollars in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Regulatory Capital:		
Shareholders' equity		
Goodwill and other intangibles		
Accumulated other comprehensive loss, net		
Tier 1 risk-based capital		
Eligible allowance for credit losses		
Total risk-based capital		
Capital ratios:	Capital ratios:	Capital ratios:
Common Equity Tier 1 Capital to risk-weighted assets	Common Equity Tier 1 Capital to risk-weighted assets 10.34 %	Common Equity Tier 1 Capital to risk-weighted assets 10.17 %
Tier 1 Capital to risk-weighted assets	Tier 1 Capital to risk-weighted assets 10.34 %	Tier 1 Capital to risk-weighted assets 10.17 %
Total Capital to risk-weighted assets	Total Capital to risk-weighted assets 10.94 %	Total Capital to risk-weighted assets 10.75 %
Leverage	Leverage 8.08 %	Leverage 8.05 %

Qualifications for community banking organizations to use a simplified measure of capital adequacy approach include having a tier 1 leverage ratio of greater than 9%, less than \$10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the Community Bank Leverage Ratio framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital. LCNB qualifies to use the simplified measure, but did not opt in for the **March 31, 2024** **June 30, 2024** regulatory capital calculations.

Liquidity

LCNB Corp. depends on dividends from the Bank for the majority of its liquid assets, including the cash needed to pay dividends to its shareholders. Federal banking law limits the amount of dividends the Bank may pay to the sum of retained net income for the current year plus retained net income for the previous two years. Prior approval from the OCC, the Bank's primary regulator, is necessary for the Bank to pay dividends in excess of this amount. If dividends exceed net **profit income** for a year, a bank is generally not required to carry forward the negative amount resulting from such excess if the bank can attribute the excess to the preceding two years. If the excess is greater than the bank's previously undistributed net income for the preceding two years, prior OCC approval of the dividend is required and a negative amount would be carried forward in future dividend calculations. In addition, dividend payments may not reduce capital levels below minimum regulatory guidelines.

At December 31, 2023, the bank had paid \$650,000 in excess of the previous two years' Bank net income to the holding company due to an \$8.75 million dividend for the acquisition of CNNB. In addition, the **February** **dividend payments during 2024** **dividend payment was** **were** also in excess of the previous two years' Bank net income. The Company does not expect the excess **dividend** **dividends** will result in any adverse supervisory action by the OCC.

Effective liquidity management ensures that cash is available to meet the cash flow needs of borrowers and depositors, pay dividends to shareholders, and meet LCNB's operating cash needs. Primary funding sources include customer deposits with the Bank, short-term and long-term borrowings from the Federal Home Loan Bank, short-term line of credit arrangements totaling \$85.0 million with three correspondent banks, and interest and repayments received from LCNB's loan and investment portfolios.

Total remaining borrowing capacity with the Federal Home Loan Bank at **March 31, 2024** **June 30, 2024** was approximately **\$118.8 million** **\$170.3 million**. Additional borrowings of approximately **\$85.0 million** **\$115.0 million** were available through line of credit arrangements with correspondent banks.

LCNB CORP. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Management closely monitors the level of liquid assets available to meet ongoing funding needs. It is management's intent to maintain adequate liquidity so that sufficient funds are readily available at a reasonable cost. LCNB experienced no liquidity or operational problems as a result of current liquidity levels. Management believes LCNB has the ability to generate and obtain adequate amounts of liquidity to meet its requirements in the short and long-term.

Commitments to extend credit at **March 31, 2024** June 30, 2024 totaled \$302.1 million \$360.2 million and are more fully described in Note **10** **11** - Commitments and Contingent Liabilities to LCNB's condensed consolidated financial statements. Since many commitments to extend credit may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements required to satisfy the commitment reported prior to its expiration.

LCNB CORP. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk for LCNB is primarily due to interest rate risk. LCNB attempts to mitigate this risk through asset/liability management strategies designed to decrease the vulnerability of its earnings to material and prolonged changes in interest rates. LCNB does not use derivatives such as interest rate swaps, caps, or floors to hedge this risk. LCNB has not entered into any market risk instruments for trading purposes.

The Bank's Asset and Liability Management Committee primarily uses a combination of Interest Rate Sensitivity Analysis ("IRSA") and Economic Value of Equity ("EVE") analysis for measuring and managing interest rate risk. IRSAs are used to estimate the effect on net interest income ("NII") during a one-year period of instantaneous and sustained movements in interest rates, also called interest rate shocks, of 100, 200, and 300 basis points. The base projection uses a current interest rate scenario. As shown below, the **March 31, 2024** June 30, 2024 IRSAs indicate that an increase in interest rates will have a negative effect on NII and a decrease in interest rates will have a positive effect on NII. The changes in NII for all rate assumptions are within LCNB's acceptable ranges.

Rate Shock Scenario in Basis Points	Rate Shock Scenario in Basis Points	\$ Change in NII	% Change in NII	Rate Shock Scenario in Basis Points	Amount	\$ Change in NII	% Change in NII
(Dollars in thousands)							
Up 300	Up 300	\$60,241	(4,937)	(4,937)	(7.57)	(7.57)%	20
Up 200	Up 200	61,834	(3,344)	(3,344)	(5.13)	(5.13)%	15
Up 100	Up 100	63,329	(1,849)	(1,849)	(2.84)	(2.84)%	10
Base	Base	65,178	—	—	—	— %	—
Down 100	Down 100	66,137	959	959	1.47	1.47 %	10
Down 200	Down 200	67,547	2,369	2,369	3.63	3.63 %	15
Down 300	Down 300	68,969	3,791	3,791	5.82	5.82 %	20

The IRSAs show the effect on NII during a one-year period only. A more long-range model is the EVE analysis, which shows, accounting for the same rate shocks, the estimated present value of future cash inflows from interest-earning assets less the present value of future cash outflows for interest-bearing liabilities for the same rate shocks. As shown below, the **March 31, 2024** June 30, 2024 EVE analysis indicates that an increase in interest rates of 200 or 300 basis points will have a negative effect on the EVE and an increase in interest rates of 100 basis points or a decrease in interest rates will have a positive effect on the EVE. The changes in the EVE for all upward rate shocks are within LCNB's acceptable ranges. The changes in the EVE for all downward rate shocks are outside LCNB's acceptable ranges as shown below. Management has determined the downward shifts to would be acceptable, despite being outside of acceptable ranges, due to the positive nature of the results. results with respect to cash flows.

Rate Shock Scenario in Basis Points	Amount	\$ Change in EVE		Limits
		EVE	% Change in EVE	
(Dollars in thousands)				
Up 300	\$ 131,574	(29,639)	(18.38)%	25 %
Up 200	147,070	(14,143)	(8.77)%	20 %
Up 100	161,752	539	0.33 %	15 %
Base	161,213	—	— %	— %
Down 100	188,844	27,631	17.14 %	15 %
Down 200	201,876	40,663	25.22 %	20 %

Down 300	220,862	59,649	37.00 %	25 %
Rate Shock Scenario in Basis Points	Amount	\$ Change in EVE	% Change in EVE	Limits
(Dollars in thousands)				
Up 300	\$ 129,686	(29,094)	(18.32)%	25 %
Up 200	145,357	(13,423)	(8.45)%	20 %
Up 100	160,024	1,244	0.78 %	15 %
Base	158,780	—	— %	— %
Down 100	189,371	30,591	19.27 %	15 %
Down 200	205,773	46,993	29.60 %	20 %
Down 300	226,521	67,741	42.66 %	25 %

The IRSAs and EVE simulations discussed above are not projections of future income or equity and should not be relied on as being indicative of future operating results. Assumptions used, including the nature and timing of interest rate levels, yield curve shape, conditions, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment or replacement of asset and liability cash flows, are inherently uncertain and, as a result, the models cannot precisely measure future NII or equity. Furthermore, the models do not reflect actions that borrowers, depositors, and management may take in response to changing economic conditions and interest rate levels.

LCNB CORP. AND SUBSIDIARIES

Item 4. Controls and Procedures

a) **Disclosure controls and procedures.** The Chief Executive Officer and the Chief Financial Officer have carried out an evaluation of the effectiveness of LCNB's disclosure controls and procedures that ensure that information relating to LCNB required to be disclosed by LCNB in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to LCNB's management, including its principal executive officer and principal financial officer, as appropriate, in order to allow timely decisions to be made regarding required disclosures. Based upon this evaluation, these officers have concluded that, as of March 31, 2024June 30, 2024, LCNB's disclosure controls and procedures were effective.

b) **Changes in internal control over financial reporting.** During the period covered by this report, there were no changes in LCNB's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, LCNB's internal control over financial reporting.

LCNB CORP. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Except for routine litigation incidental to its business, LCNB is not a party to any material pending legal proceedings and none of its property is the subject of any material proceedings.

Item 1A. Risk Factors

Readers should carefully consider the risk factors previously disclosed in Part I, Item 1A. Risk Factors in LCNB's Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the period covered by this report, LCNB did not sell any of its securities that were not registered under the Securities Act.

On February 27, 2023, LCNB's Board of Directors authorized a new Issuer Stock Repurchase Plan Agreement (the "Plan"). Under the terms of the Plan, LCNB is authorized to repurchase up to 500,000 of its outstanding common shares. The Plan replaced and superseded LCNB's prior Issuer Stock Repurchase Plan Agreement, which was adopted on May 27, 2022.

Under the Plan, LCNB may purchase common shares through various means such as open market transactions, including block purchases and privately negotiated transactions. The number of shares repurchased and the timing, manner, price and amount of any repurchases are determined at LCNB's discretion. Factors include, but are not limited to, share price, trading volume, and general market conditions, along with LCNB's general business conditions. The Plan may be suspended or discontinued at any time and does not obligate LCNB to acquire any specific number of its common shares.

As part of the Plan, LCNB entered into a trading plan adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The 10b5-1 trading plan permits common shares to be repurchased at times that LCNB might otherwise be precluded from doing so under insider trading laws or self-imposed trading restrictions. The 10b5-1 trading plan is administered by an independent broker and is subject to price, market volume, and timing restrictions.

The following table sets forth information relating to repurchases made under the **February 27, 2023 plan Plan** during the three months ended **March 31, 2024 June 30, 2024**:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January April 1 - 30, 2024	—	\$ —	—	315,047
May 1 - 31, 2024	—	\$ —	—	315,047
February June 1 - 29, 2024	—	\$ —	—	315,047
March 1 - 31, 30, 2024	—	\$ —	—	315,047

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

LCNB CORP. AND SUBSIDIARIES

Item 5. Other Information

During the three months ended **March 31, 2024 June 30, 2024**, none of our directors or officers informed us of the adoption, modification, or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

LCNB CORP. AND SUBSIDIARIES

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	Agreement and Plan of Merger dated as of May 17, 2023 by and between LCNB Corp. and Cincinnati Bancorp, Inc. - incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 18, 2023, Exhibit 2.1.
2.2	Agreement and Plan of Merger dated as of November 28, 2023 by and between LCNB Corp. and Eagle Financial Bancorp, Inc. - incorporated by reference to the Registrant's Current Report on Form 8-K filed on November 29, 2023, Exhibit 2.1.
3.1	Amended and Restated Articles of Incorporation of LCNB Corp., as amended. (This document represents the Amended and Restated Articles of Incorporation of LCNB Corp. in compiled form incorporating all amendments. The compiled document has not been filed with the Ohio Secretary of State.) - incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018, Exhibit 3.1.
3.2	Code of Regulations of LCNB Corp. – incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, Exhibit 3(i).
10.1	LCNB Corp. Ownership Incentive Plan – incorporated by reference to Registrant's Form DEF 14A Proxy Statement pursuant to Section 14(a), dated March 15, 2002, Exhibit A (000-26121).
10.2	LCNB Corp. 2015 Ownership Incentive Plan - incorporated by reference to Registrant's Form DEF 14A Proxy Statement pursuant to Section 14(a), dated March 13, 2015, Exhibit A (001-35292).
10.3	Form of Option Grant Agreement under the LCNB Corp. Ownership Incentive Plan – incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2005, Exhibit 10.2.
10.4	Nonqualified Executive Retirement Plan – incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009, Exhibit 10.4.
10.5	Form of Restricted Share Grant Agreement under the LCNB Corp. 2015 Ownership Incentive Plan - incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2015, Exhibit 10.7.
10.6	Form of Business Loan Agreement for the revolving line of credit between LCNB Corp. and Bankers' Bank - incorporated by reference to Registrant's Form 8-K filed on June 21, 2022, Exhibit 10.1.
10.7	Form of Business Loan Agreement for the term loan between LCNB Corp. and Bankers' Bank - incorporated by reference to Registrant's Form 8-K filed on June 21, 2022, Exhibit 10.2.
14.1	LCNB Corp. Code of Business Conduct and Ethics - incorporated by reference to the Registrant's Form 10-K for the fiscal year ended December 31, 2018, Exhibit 14.1.
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from LCNB Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 is formatted in Extensible Business Reporting Language: (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Condensed Statements of Income, (iii) the Consolidated Condensed Statements of Comprehensive Income, (iv) the Consolidated Condensed Statements of Shareholders' Equity, (v) the Consolidated Condensed Statements of Cash Flows, and (vi) the Notes to Consolidated Condensed Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

LCNB CORP. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LCNB Corp.

May 10, August 7, 2024

/s/ Eric J. Meilstrup

Eric J. Meilstrup

Chief Executive Officer and President

May 10, August 7, 2024

/s/ Robert C. Haines, II

Robert C. Haines, II

Executive Vice President and Chief Financial Officer

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Exhibit 31.1

CERTIFICATIONS

In connection with the Quarterly Report of LCNB Corp. on Form 10-Q for the period ending **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric J. Meilstrup, Chief Executive Officer of LCNB Corp., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of LCNB Corp.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eric J. Meilstrup

Eric J. Meilstrup

Chief Executive Officer and President

May 10, August 7, 2024

CERTIFICATIONS

In connection with the Quarterly Report of LCNB Corp. on Form 10-Q for the period ending **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Haines, II, Executive Vice President and Chief Financial Officer of LCNB Corp., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of LCNB Corp.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert C. Haines, II

Robert C. Haines, II
Executive Vice President and
Chief Financial Officer

May 10, 2024

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LCNB Corp. (the "Company") on Form 10-Q for the period ending **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Eric J. Meilstrup, Chief Executive Officer, and Robert C. Haines, II, Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric J. Meilstrup

Eric J. Meilstrup
Chief Executive Officer and President

Date: **May 10, 2024** **August 7, 2024**

/s/ Robert C. Haines, II

Robert C. Haines, II
Executive Vice President and Chief Financial Officer

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