

## Risk Factors Comparison 2025-03-12 to 2024-03-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

There are risks inherent in LCNB's operations, many beyond management's control, which may adversely affect its financial condition and results from operations and should be considered in evaluating the Company. Credit, market, operational, liquidity, interest rate and other risks are described elsewhere in this report. Other risk factors may include the items described below. Risks Related to Economic and Market Conditions ~~Outbreaks of communicable diseases, (such as COVID-19 and its variants), have led to periods of significant volatility in financial and other markets, adversely affected our ability to conduct normal business, adversely affected our clients, and may harm our businesses, financial condition and results of operations. Pandemics and widespread outbreaks of communicable diseases (such as COVID-19, influenza and other respiratory diseases) have caused and may continue to cause significant disruption in the international and United States economies and financial markets, including in the regions in which the Company operates. The spread of these diseases, including COVID variants, has caused illness and death and led to quarantines, cancellation of events and travel, business shutdowns, reduction in business activity and financial transactions, supply chain interruptions, and overall economic and financial market instability. In response to the COVID-19 pandemic, the governments of the states in which we have branches, and most other states, periodically took preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego their time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non-essential. These restrictions and other consequences of public health issues resulted in significant adverse effects for many different types of businesses, and resulted in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate, which, in turn, impacted our customer base. To the extent similar widespread health related events occur in the future, we could experience material and adverse effects on our business, operations, operating results, financial condition, liquidity, and capital levels as a result.~~ Weakness in the economy and in the real estate market, including weakness specific to LCNB's geographic footprint, may negatively affect ~~it its~~'s financial condition and earnings. LCNB's success depends, in part, on economic and political conditions, local and national, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy, **tariffs and trade policy**, and other factors beyond LCNB's control may affect its deposit levels and composition, demand for loans, the ability of borrowers to repay their loans, and the value of the collateral securing the loans it makes. Economic turmoil in different regions of the world affect the economy and stock prices in the United States, which can affect LCNB's earnings and capital and the ability of its customers to repay loans. Due to LCNB's volume of real estate loans, declining real estate values could affect the value of property used as collateral as well as LCNB's ability to sell the collateral upon foreclosure. If the strength of the United States economy in general and the strength of the local economies in which LCNB conducts operations ~~weakens~~, which are primarily in Southwestern and South Central Ohio and Northern Kentucky, ~~decline~~, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on the loan portfolio and allowance for credit losses. These factors could also result in higher delinquencies and greater charge-offs in future periods, which would materially affect LCNB's financial condition and results of operations. There is no assurance that LCNB's loan borrowers will not experience financial difficulties or that properties securing loans will not suffer deterioration in value. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may result in increased charge-offs. These fluctuations are ~~not~~ **not** predictable, cannot be controlled, and may have a material impact on LCNB's operations and financial condition even if other favorable events occur. Declining values of real estate, increases in unemployment, insurance market disruptions, and the related effects on local economies may increase LCNB's credit losses, which would negatively affect financial results. LCNB offers a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer, and other loans. Many loans are secured by real estate (both residential and commercial) within LCNB's market area. A major change in the real estate market, such as deterioration in the value of collateral or in the local or national economy, could affect LCNB's ability to liquidate foreclosed property, which in turn could impact LCNB's results of operations and financial condition. Additionally, increases in unemployment also may affect the ability of certain clients to repay loans and the financial results of commercial clients in localities with higher unemployment may result in loan defaults and foreclosures and may impair the value of loan collateral. Loan defaults and foreclosures are unavoidable in the banking industry. LCNB cannot fully eliminate credit risk and, as a result, credit losses may increase in the future. ~~- 18- LCNB CORP. AND SUBSIDIARIES~~ **- 17- LCNB CORP. AND SUBSIDIARIES** Risks Related to LCNB's Operations LCNB's loan portfolio includes a substantial amount of commercial and industrial loans and commercial real estate loans, which may have more risks than residential or consumer loans. LCNB's commercial and industrial and commercial real estate loans comprise a substantial portion of its total loan portfolio. These loans generally carry larger loan balances and can involve a greater degree of financial and credit risk than home equity, residential mortgage, or consumer loans. The potential for increased financial and credit risk associated with these types of loans is a result of several factors, including the concentration of principal in a limited number of loans, the size of loan balances, and the effects of general economic conditions on businesses and loans secured by income-producing properties. In order to mitigate these heightened risks, LCNB continually evaluates and monitors these types of loans. Approximately ~~98-89~~ **2-4** % of our total commercial loans or about ~~64.3-6~~ **3-6** % of our total loans relate to commercial real estate. The repayment of loans secured by commercial real estate is often dependent upon the successful operation, development, or sale of the related real estate or commercial business and may, therefore, be subject to adverse conditions in the

real estate market or economy. If the cash flow from operations is reduced, the borrower's ability to repay the loan may deteriorate. In such cases, LCNB may take actions to protect its financial interest in the loan. Such actions may include foreclosure on the real estate securing the loan, taking possession of other collateral that may have been pledged as security for the loan, or modifying the terms of the loan. If foreclosed on, commercial real estate is often unique and may be difficult to liquidate. Future growth and expansion opportunities may contain risks that could negatively affect us. From time to time, LCNB may seek to acquire other financial institutions or parts of those institutions or may open new branch offices. It may also consider and enter into new lines of business or offer new products or services. Such activities involve a number of risks, which may include potential inaccuracies in estimates and judgments used to evaluate the expansion opportunity, diversion of management and employee attention, lack of experience in a new market or product or service, and difficulties in integrating a future acquisition or introducing a new product or service. There is no assurance that such growth or expansion activities will be successful or that they will achieve desired profitability levels. Liquidity risk could impair LCNB's ability to fund operations and could jeopardize financial results. LCNB faces liquidity risk, which is the possibility that LCNB may not be able to meet its obligations as they come due, both to creditors and customers, or may not be able to fully capitalize on growth opportunities because of a lack of liquidity. A lack of liquidity may be caused by an inability to favorably liquidate assets or obtain adequate financing on a timely basis, at a reasonable cost and on other reasonable terms, and within acceptable risk tolerances. LCNB's controls and procedures may fail or be circumvented. Management regularly reviews and updates LCNB's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based, in part, on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of LCNB's controls and procedures or failure to comply with regulations related to its controls and procedures could have a material adverse effect on LCNB's business, results of operations, and financial condition.

**19-18 - LCNB CORP. AND SUBSIDIARIES** LCNB's information systems may experience an interruption, cyberattack, or other breach in security. LCNB relies heavily on electronic communications and information systems to conduct its business. Although significant resources are devoted to maintaining and regularly updating LCNB's data systems, there can be no assurance that these security measures will provide absolute security. Any failure, interruption, cyberattack, email phishing scam, or other breach in security of these systems could result in failures or disruptions in LCNB's customer relationship management, general ledger, deposit, loan, and other systems. While LCNB has policies and procedures designed to prevent or limit the effect of the failure, interruption, cyberattack, or other security breach of its information systems, there can be no assurance that any such occurrences will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions, cyberattacks, phishing scams, or other security breaches of LCNB's information systems could significantly disrupt LCNB's operations, allow misappropriation of LCNB's confidential information, allow misappropriation of customer confidential information, damage LCNB's reputation, result in a loss of customer business, subject LCNB to additional regulatory scrutiny, or expose LCNB to significant civil litigation and possible financial liability, any of which could have a material adverse effect on its financial condition and results of operations. LCNB's ability to pay cash dividends is limited. LCNB is dependent upon the earnings of the Bank for funds to pay dividends on its common shares. The payment of dividends by LCNB and the Bank is subject to certain regulatory restrictions. As a result, any payment of dividends in the future will be dependent, in large part, on the ability of LCNB and the Bank to satisfy these regulatory restrictions and on the Bank's earnings, capital levels, financial condition, and other factors. Although LCNB's financial earnings and financial condition have allowed it to declare and pay periodic cash dividends to shareholders, there can be no assurance that the current dividend policy or the amount of dividend distributions will continue in the future. LCNB must compete to hire and retain employees. LCNB's success depends, in large part, on its ability to attract, retain, motivate, and develop key employees. Competition for key employees is ongoing and LCNB may not be able to attract, retain, or hire the key employees who are wanted or needed, which may also negatively impact its ability to execute identified business strategies. Because LCNB operates primarily in Southwestern and South Central Ohio and Northern Kentucky, its hiring pool is also limited by those markets. Competition for key employees may require LCNB to offer higher compensation to attract or retain key employees, which may adversely affect salaries and employee benefit costs. Various restrictions on the compensation which may be paid to certain executive officers were imposed under the Dodd- Frank Act and other legislation and regulations. In addition, LCNB's incentive compensation structure is subject to review by regulators, who may identify deficiencies in the structure or issue additional guidance on LCNB's compensation practices, causing LCNB to make changes that may affect its ability to offer competitive compensation to these individuals or that place it at a disadvantage to non- financial service competitors. LCNB's ability to attract and retain talented employees may be affected by these restrictions or any new executive compensation limits or regulations. Risk factors related to LCNB's Wealth Management business. LCNB's Wealth Management business is subject to intense competition, general market risk, and inherent risks to the business of managing trust accounts. Competition for wealth management business is intense. Competitors include other commercial bank and trust companies, brokerage firms, investment advisory firms, mutual fund companies, accountants, and attorneys. LCNB's Wealth Management business is directly affected by conditions in the debt and equity securities markets. The debt and equity securities markets are affected by, among other factors, domestic and foreign economic conditions, political uncertainties, and the monetary and fiscal policies of the United States government, all of which are beyond LCNB's control. Changes in economic conditions may directly affect the economic performance of the trust accounts in which clients' assets are invested. A decline in the fair value of the trust accounts caused by a decline in general economic conditions directly affects LCNB's trust fee income because such fees are primarily based on the fair value of the trust accounts. In addition, a sustained decrease in the performance of the trust accounts or a lack of sustained growth may encourage clients to seek alternative investment options. The management of trust accounts is subject to the risk of mistaken distributions, poor investment choices, and miscellaneous other incorrect decisions. Such mistakes may give rise to surcharge actions by beneficiaries, with damages substantially in excess of

the fees earned from management of the accounts.- **20-19 - LCNB CORP. AND SUBSIDIARIES** General Risk Factors Failure to meet regulatory capital requirements could adversely affect LCNB's business. The Bank is subject to regulations requiring it to satisfy minimum capital requirements, see Note 15- Regulatory Matters and Impact on Payment of Dividends of the consolidated financial statements for more information. While management expects that LCNB's capital ratios under Basel III will continue to exceed well capitalized minimum capital requirements, there can be no assurance that such will be the case. If LCNB is unable to meet or exceed applicable minimum capital requirements, it may become subject to supervisory actions including, but not limited to, requirements to raise additional capital or dispose of assets, the loss of its financial holding company status, limitations on its ability to engage in new acquisitions or new activities, or other informal or formal regulatory enforcement actions. Changes in economic or political conditions could adversely affect LCNB's earnings. LCNB's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services that LCNB offers, is highly dependent upon the business environment in the markets where LCNB operates and in the United States as a whole. Recessions, periods of unemployment, changes in interest rates, inflationary pressures, money supply, **tariffs and trade policy**, and other factors beyond LCNB's control may adversely affect its asset quality, deposit levels, loan demand, and earnings. Inflationary pressures directly affect the level of interest rates earned from loans and investments and paid for deposits and borrowings. In addition, salaries and employee benefits and other non- interest expenses tend to increase during periods of inflation. Adverse changes in the economy may have a negative effect on the ability of borrowers to make timely repayments of their loans, increasing the risk of loan defaults and losses. Because LCNB has a significant amount of commercial and residential real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. As a result, LCNB may need to increase its allowance for credit losses, negatively affecting earnings. LCNB's earnings are significantly affected by market interest rates. The FOMC ~~increased~~ **decreased** the Federal Funds target range by **425-100** basis points during **2022-2024 after in an effort to dampen** ~~increasing~~ **the range inflation rates and by another** 100 basis points during 2023. ~~Further rate increases may occur during 2024.~~ Fluctuations in interest rates may negatively impact LCNB's profitability. A primary source of income from operations is net interest income, which is equal to the difference between interest income earned on loans and investment securities and the interest paid for deposits and other borrowings. These rates are highly sensitive to many factors beyond LCNB's control, including general economic conditions, the slope of the yield curve (that is, the relationship between short and long- term interest rates), and the monetary and fiscal policies of the United States Federal government. Increases in general interest rates could have a negative impact on LCNB's results of operations by reducing the ability of borrowers to repay their current loan obligations. Some residential real estate mortgage loans, most home equity line of credit loans, and many of LCNB's commercial and industrial loans and commercial real estate loans have adjustable rates. Borrower inability to make scheduled loan payments due to a higher loan cost could result in increased loan defaults, foreclosures, and write- offs and may necessitate additions to the allowance for credit losses. In addition, increases in the general level of interest rates may decrease the demand for new consumer and commercial loans, thus limiting LCNB's growth and profitability. A general increase in interest rates may also result in deposit disintermediation, which is the flow of deposits away from banks and other depository institutions into direct investments that have the potential for higher rates of return, such as stocks, bonds, and mutual funds. If this occurs, LCNB may have to rely more heavily on borrowings as a source of funds in the future, which could negatively impact its net interest margin. Gains from sales of mortgage loans may experience significant volatility. Gains from sales of mortgage loans are highly influenced by the level and direction of mortgage interest rates, real estate activity, and refinancing activity. A decrease in market interest rates may create a refinancing demand for residential fixed- rate mortgage loans, which may cause an increase in gains from sales of mortgage loans if LCNB sells these loans in the secondary market. An increase in market interest rates may decrease the demand for refinanced loans and decrease the gains from sales of mortgage loans recognized in LCNB's Consolidated Statements of Income. Gains from sales of mortgage loans may also be impacted by changes in LCNB's strategy to manage its residential mortgage portfolio. For example, LCNB may occasionally change the proportion of loan originations that are sold in the secondary market and instead add a greater proportion to its loan portfolio.- **21-20 - LCNB CORP. AND SUBSIDIARIES** Banking competition is intense. The banking industry and related financial service providers operate in a highly competitive market. LCNB competes with financial service providers such as other commercial banks, savings and loan associations, credit unions, mortgage banking firms, Financial Technology or " FinTech " companies, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds, and other financial intermediaries. Technology has lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Nonfinancial institution competitors may have fewer regulatory constraints and, due to technology related product delivery systems, a greater access to customers and lower cost structures. Many of LCNB's competitors include major financial institutions that have been in business for many years and have established customer bases, broader geographic service areas, substantially higher regulatory lending limits, and the ability to mount extensive promotional and advertising campaigns. In addition, credit unions are growing larger due to more flexible membership requirement regulations and are offering more financial services than they legally could in the past. LCNB also competes with numerous real estate brokerage firms, some owned by realty companies, for residential real estate mortgage loans. The banking industry now competes with brokerage firms and mutual fund companies for funds that would have historically been held as bank deposits. Many of these competitors have fewer regulatory constraints and may have lower cost structures. If LCNB is unable to attract and retain loan, deposit, brokerage, and Wealth Management customers, its growth and profitability levels may be negatively impacted. Economic conditions in LCNB's market areas could adversely affect its financial condition and results of operations. LCNB conducts its operations from offices that are located in nine Southwestern Ohio counties **and**, in Franklin County, Ohio, ~~and in Boone County, Kentucky~~, from which substantially all of its customer base is drawn. Because of this geographic concentration

of operations and customer base, LCNB's financial performance is heavily influenced by economic conditions in these areas. Any material deterioration in economic conditions in these markets could have material direct or indirect adverse impacts on LCNB's customers and on LCNB. Such deterioration could increase the number of customers experiencing financial distress, negatively impacting their ability to obtain new loans or to repay existing loans. As a result, LCNB may experience increases in the levels of impaired loans, increased charge-offs, and increased provisions for loan losses. Deteriorating economic conditions may also affect the ability of depositors to maintain or add to deposit balances and may affect the demand for loans, Wealth Management, brokerage, and other products and services offered by LCNB. Such losses and decreased demand could have material adverse effects on LCNB's financial position, results of operations, and cash flows. New lines of business or new products and services may subject LCNB to additional risks. From time to time, LCNB may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and / or products and services, LCNB may invest significant time and resources. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. If LCNB is unable to successfully manage these risks in the development and implementation of new lines of business or new products or services, it could have a material adverse effect on LCNB's business, financial condition, and result of operations. The allowance for credit losses may be inadequate. The provision for credit losses is determined by management based upon its evaluation of the amount needed to maintain the allowance for credit losses at a level considered appropriate in relation to the estimated risk of losses inherent in the portfolio. In addition to historic charge-off percentages, factors taken into consideration to determine the adequacy of the allowance for credit losses include the nature, volume, and consistency of the loan portfolio, overall portfolio quality, a review of specific problem loans, the fair value of any underlying collateral, borrowers' cash flows, and current economic conditions that may affect borrowers' ability to make payments. Increases in the allowance result in an expense for the period. By its nature, the evaluation is imprecise and requires significant judgment. Actual results may vary significantly from management's assumptions. If, as a result of general economic conditions or a decrease in asset quality, management determines that additional increases in the allowance for credit losses are necessary, LCNB will incur additional expenses.

**22-21 - LCNB CORP. AND SUBSIDIARIES** The fair value of LCNB's investments could decline. Most of LCNB's investment securities portfolio is designated as available-for-sale. Accordingly, unrealized gains and losses, net of tax, in the estimated fair value of the available-for-sale portfolio is recorded as other comprehensive income, a separate component of shareholders' equity. The fair value of LCNB's investment portfolio may decline, causing a corresponding decline in shareholders' equity. Management believes that several factors will affect the fair values of the investment portfolio including, but not limited to, changes in interest rates or expectations of changes, the degree of volatility in the securities markets, inflation rates or expectations of inflation, and the slope of the interest rate yield curve. These and other factors may impact specific categories of the portfolio differently and the effect any of these factors may have on any specific category of the portfolio cannot be predicted. Many state and local governmental authorities have experienced deterioration of financial condition in recent years due to declining tax revenues, increased demand for services, and various other factors. To the extent LCNB has any municipal securities in its portfolio from issuers who are experiencing deterioration of financial condition or who may experience future deterioration of financial condition, the value of such securities may decline and could result in other-than-temporary impairment charges, which could have an adverse effect on LCNB's financial condition and results of operations. Additionally, a general, industry-wide decline in the fair value of municipal securities could significantly affect LCNB's financial condition and results of operations. LCNB's investments in equity securities with readily determinable fair values are recorded at fair value with changes in fair value recognized in earnings. Accordingly, declines in the fair value of LCNB's equity investments will immediately decrease net income. Changes in tax law and accounting standards could materially affect LCNB's operations. Changes in tax laws, or changes in the interpretation of existing tax laws, could materially adversely affect LCNB's operations. Similarly, new accounting standards, changes to existing accounting standards, and changes to the methods of preparing financial statements could impact LCNB's reported financial condition and results of operations. These factors are outside LCNB's control and it is impossible to predict changes that may occur and the effect of such changes. LCNB is subject to environmental liability risk associated with lending activities. A significant portion of the Bank's loan portfolio is secured by real property. During the ordinary course of business, the Bank may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Bank may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Bank to incur substantial expenses and may materially reduce the affected property's value or limit the Bank's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Bank's exposure to environmental liability. Although the Bank has policies and procedures to perform an environmental review before approving a loan or initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on LCNB's financial condition and results of operations. The banking industry is highly regulated. LCNB is subject to regulation, supervision, and examination by the Federal Reserve Board and the Bank is subject to regulation, supervision, and examination by the OCC. LCNB and the Bank are also subject to regulation and examination by the FDIC as the deposit insurer. The CFPB is responsible for most consumer protection laws and has broad authority, with certain exceptions, to regulate financial products offered by banks. Federal and state laws and regulations govern numerous matters including, but not limited to, changes in the ownership or control of banks, maintenance of adequate capital, permissible business operations, maintenance of deposit insurance, protection of customer financial privacy, the level of reserves held against deposits, restrictions on dividend payments, the making of loans, and the acceptance of deposits. See the previous

section titled “ Supervision and Regulation ” for more information on this subject. Federal regulators may initiate various enforcement actions against a financial institution that violates laws or regulations or that operates in an unsafe or unsound manner. These enforcement actions may include, but are not limited to, the assessment of civil money penalties, the issuance of cease- and- desist or removal orders, and the imposition of written agreements. ~~–23–~~Proposals to change the laws governing financial institutions are periodically introduced in Congress and proposals to change regulations are periodically considered by the regulatory bodies. Such future legislation and / or changes in regulations could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The likelihood of any major changes in the future and their effects are impossible to predict. ~~Risks Related to Recent Events Impacting the Financial Services Industry Recent events impacting the financial services industry, including the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank, have led to a decrease in confidence in banks among consumer and commercial depositors, other counterparties and investors, as well as caused significant disruption, volatility, and reduced valuations of equity and other securities of banks and bank holding companies in the capital markets. These events are occurring during a period of continued rises to interest rates which, among other things, have resulted in unrealized losses in longer- 22- duration securities and loans held by banks, increased competition for bank deposits, and the possibility of an increase in the risk of a potential recession. These recent events have, and could continue to have, an adverse impact on the market price and volatility of LCNB CORP' s common stock. AND SUBSIDIARIES~~ These recent events may also result in potentially adverse changes to laws and / or regulations governing banks and bank holding companies or result in the imposition of restrictions through supervisory or enforcement activities, including higher capital requirements, which could have a material impact on LCNB' s business. LCNB may be impacted by concerns from depositors, investors, and other counterparties regarding the soundness or creditworthiness of other financial institutions, which could cause substantial and cascading disruption within the financial markets and increase Company expenses. FDIC deposit insurance assessments may materially increase in the future. Deposits of LCNB are insured up to statutory limits by the FDIC and, accordingly, LCNB and other banks and financial institutions pay quarterly premiums to the FDIC to maintain the DIF. On October 18, 2022, the FDIC issued a final rule that increased the initial base deposit insurance assessment rate paid by insured depository institutions by two basis points, beginning with the first quarterly assessment period of 2023. The likelihood and extent of any further rate increases in the future are indeterminable. Failure to adopt new technologies may result in customer dissatisfaction. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. LCNB' s future success depends, in part, upon its ability to address customer needs by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in LCNB' s operations. LCNB may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could negatively affect LCNB' s growth, revenue and profit. Emergence of non- bank alternatives to the financial system may result in customer disintermediation. Consumers may decide not to use banks to complete their financial transactions. Technology and other changes, including the emergence of Fintech Companies, are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can complete transactions, such as paying bills and / or transferring funds, directly without the assistance of banks. The process of eliminating banks as intermediaries, known as “ disintermediation, ” could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations. Climate change, severe weather, natural disasters, acts of war or terrorism, **political instability**, epidemics and other external events could significantly impact LCNB' s business. Climate change presents multi- faceted risks, including operational risk from the physical effects of climate events on LCNB and its customers' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; risks associated with the transition to a less carbon- dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, LCNB' s carbon footprint, and LCNB' s business relationships with clients who operate in carbon- intensive industries. ~~–24–~~ Natural disasters, including severe weather events of increasing strength and frequency due to climate change, acts of war or terrorism, **political instability**, and other adverse external events could have a significant impact on LCNB' s ability to conduct business or upon third parties who perform operational services for LCNB or its customers. Such events could affect the stability of LCNB' s deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue, or cause LCNB to incur additional expenses. **Outbreaks of communicable diseases have led to periods of significant volatility in financial and other markets, adversely affected our ability to conduct normal business, adversely affected our clients, and may harm our businesses, financial condition and results of operations. Pandemics and widespread outbreaks of communicable diseases may cause significant disruption in the international and United States economies and financial markets, including in the regions in which the Company operates. The spread of these diseases may lead to the cancellation of events and travel, business shutdowns, reduction in business activity and financial transactions, supply chain interruptions, and overall economic and financial market instability. Government imposed restrictions and other consequences of public health issues may result in significant adverse effects for many different types of businesses, and result in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate, which, in turn, can impact our customer base. To the extent widespread health related events occur in the future, we could experience material and adverse effects on our business, operations, operating results, financial condition, liquidity, and capital levels as a result. – 23–** **LCNB CORP. AND SUBSIDIARIES**