Public Storage
Form 11-K
June 24, 2013

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

FORM 11-K

[X] Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2012

OR

[ ] Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________.

Commission File Number: 001-33519

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PS 401(k) PROFIT SHARING PLAN
701 Western Avenue
Glendale, CA 91201-2349

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PUBLIC STORAGE
701 Western Avenue
Glendale, CA 91201-2349

PS 401(k) PROFIT SHARING PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULE

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrative Committee
PS 401(k) Profit Sharing Plan

We have audited the accompanying statements of net assets available for benefits of the PS 401(k) Profit Sharing Plan as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the PS 401(k) Profit Sharing Plan at December 31, 2012 and 2011, and the changes in its net assets available for benefits for the year ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2012, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Los Angeles, California
June 24, 2013

PS 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE
FOR BENEFITS

	December 31, 2012	December 31, 2011
Assets		
Investments at fair value	$ 92,586,391	$ 91,702,247
Receivables:		
Participant contributions	77,971	78,009
Employer contributions	194,224	188,319
Due from broker	22,505	25,210
Total receivables	294,700	291,538
Total assets	92,881,091	91,993,785
Liabilities		
Due to broker	146,825	21,124
Total liabilities	146,825	21,124
Net assets reflecting investments at fair value	92,734,266	91,972,661
Adjustment from fair value to contract value for fully benefit- responsive investment contracts	(281,968)	(303,490)
Net assets available for benefits	$ 92,452,298	$ 91,669,171

See accompanying notes.

PS 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS

For the Year Ended December 31, 2012

Additions to (Deductions from) Net Assets Attributed to:		
Investment income:		
Net appreciation in fair value of investments	$	8,387,685
Interest and dividends		1,307,961
		9,695,646
Contributions:		
Participant		4,934,008
Participant rollovers		629,569
Employer		2,288,046
		7,851,623
Benefits paid to participants		(16,597,416)
Administrative expenses		(166,726)
Increase in net assets available for benefits		783,127
Net assets available for benefits - beginning of year		91,669,171
Net assets available for benefits - end of year	$	92,452,298

See accompanying notes.

PS 401(k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Description of the Plan

General

The PS 401(k) Profit Sharing Plan (the "Plan") encompasses Public Storage, PS Business Parks, Inc. and certain of their majority owned subsidiaries (collectively, the "Company"). The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan available for the benefit of all permanent employees of the Company who have completed at least 30 days of service and are at least 21 years of age. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Although it has not expressed the intention to do so, the Company has the right to terminate the Plan subject to ERISA provisions. The Plan allows interim allocations of Company contributions and earnings or losses of trust fund assets among participants.

The Company appoints a committee to administer the Plan. At December 31, 2012, the Plan Administrative Committee is comprised of six officers of the Company with Wells Fargo Bank acting as Trustee (the "Trustee").

Other significant provisions of the Plan are as follows:

Contributions

Employee contributions to the Plan (voluntary contributions) are deferrals of the employee's compensation made through a direct reduction of compensation in each payroll period. During 2012, each eligible participant could elect a pretax contribution rate from 1% to 100% of their compensation, as defined in the Plan document, subject to the maximum annual elective deferral amount set by the Internal Revenue Code (the "Code"). Participants may also contribute amounts representing distributions from other qualified benefit or defined contribution plans.

The Company contributes one dollar ($1.00) for each dollar deferred by a participant up to three percent (3%) of compensation, as defined and subject to certain limitations as described in the Plan document. The Company also contributes an additional fifty cents ($0.50) for each dollar that each participant defers in excess of three percent (3%) of compensation up to five percent (5%) of compensation. The Company's aggregate contributions are limited to four percent (4%) of compensation, as defined and subject to certain limitations as described in the Plan document. Additional amounts may be contributed at the discretion of the Company. No such additional contributions were made in 2012.

Vesting

Since January 1, 2005, employee deferrals and the Company's safe harbor matching contribution are 100% vested and non-forfeitable. With respect to Company contributions before January 1, 2005, each participant's account became 10% vested (non-forfeitable) after two years of service (as defined), 20% after three years of service and an additional 20% for each additional year of service thereafter.

Investment Options

Since January 1, 2008, upon enrollment in the Plan, a participant may direct their contributions and holdings in any of the following investment options:

PS 401(k) PROFIT SHARING PLAN
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1. Dodge & Cox International Stock Fund
2. American Funds EuroPacific Growth Fund/R6 (until August 23, 2012)
3. American Funds Growth Fund of America/R6
4. Oakmark Equity & Income I Fund
5. Oakmark Select I Fund (since August 23, 2012)
6. PIMCO Total Return Institutional Fund
7. Harbor Capital Appreciation I Fund (since August 23, 2012)
8. Columbia Acorn Fund (since August 23, 2012)
9. Selected American Shares D (until August 23, 2012)
10. T. Rowe Price Equity Income Fund
11. T. Rowe Price Real Estate Fund
12. Vanguard Explorer Admiral Fund
13. Vanguard Extended Market Index Admiral Fund (until August 23, 2012)
14. Vanguard Short Term Federal Admiral Fund
15. Vanguard Windsor II Admiral Fund
16. Vanguard Total Bond Market Index Signal Fund (since August 23, 2012)
17. Vanguard Mid-Cap Index Signal Fund (since August 23, 2012)
18. Vanguard Small Cap Index Signal Fund (since August 23, 2012)
19. Vanguard Total International Stock Market Signal Fund (since August 23, 2012)
20. Fidelity Contrafund
21. Fidelity Diversified International Fund (until August 23, 2012)
22. Fidelity Low Price Stock Fund
23. Fidelity Mid-Cap Stock Fund Spartan (until August 23, 2012)
24. Wells Fargo Stable Return Fund N35 (formerly Fund N4) (until June 21, 2012)
25. Wells Fargo Stable Return Fund N15 (since June 21, 2012)
26 Wells Fargo S&P 500 Index Fund N5 for High Balance Plans (formerly Fund N)
27. Individually Directed Account

Prior to December 19, 2005, participants had the option to direct contributions to the Company's securities. Effective December 19, 2005, participants no longer had that option. Existing holdings of the Company's securities on December 19, 2005, were either held or transferred to other Plan investment alternatives at the option of each participant (see Note 6 for disclosure of the remaining holdings in the Company's securities).

The Wells Fargo Stable Return Fund N15 and the Wells Fargo S&P 500 Index Fund N5 for High Balance Plans are common/collective trust funds. The Wells Fargo Stable Return Fund N15 seeks to provide a moderate level of stable income without principal volatility, while seeking to maintain adequate liquidity and returns superior to shorter maturity investments. It invests in a variety of investment contracts and instruments issued by selected high-quality insurance companies and financial institutions. Participant-directed redemptions have no restrictions; however, the Plan is required to provide a one-year redemption notice to liquidate its entire share in the fund. The Wells Fargo S&P 500 Index Fund N5 for High Balance Plans is an index fund that invests in the equity securities of companies that comprise the S&P 500 Index (the "Index") and seeks to approximate as closely as practicable the total return, before deduction of fees and expenses, of the Index. The Wells Fargo S&P 500 Index Fund has no redemption restrictions. See "Investment Valuation and Income Recognition" in Note 2 below for further information regarding common collective trusts.

The Individually Directed Account is considered a self-directed brokerage account which allows participants access to a broader range of investment choices than that which is offered through the Plan's menu. At December 31, 2012, the Individually Directed Accounts were primarily invested in money market funds and common equity securities of publicly-traded companies, including those of the Company.

PS 401(k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Distributions from the Plan

Distributions of each participant's vested account balance upon severance or death are made in a single lump sum payment; however, upon severance if the participant’s vested account balance exceeds $5,000, payment may be deferred at the election of the participant until April 1st of the calendar year in which the participant reaches 70 ½ years of age.

Additionally, the Plan provides for hardship distributions (as defined).

Generally, distributions are made no later than 60 days after the close of the Plan year in which the participant becomes eligible for such distributions.

Forfeited Accounts

Forfeitures of profit sharing contributions may be used (i) as a non-elective allocation to all eligible Plan participants, (ii) to reduce the Company’s safe harbor matching contribution or (iii) to reduce Plan expenses in the current Plan year or within one year following the end of the current Plan year. During 2012, a total of $341,000 in non-vested amounts was forfeited from prior Plan years, of which $86,000 was applied to Plan administrative expenses for eligible Plan participants in 2012 and $213,000 was used to reduce the Company’s safe harbor matching contribution in 2012. Also during 2012, forfeitures of profit sharing contributions totaling $53,000 that were forfeited during 2011 were used to reduce Plan administrative expenses for eligible Plan participants. The remaining $42,000 of non-vested amounts forfeited during 2012 will be applied to Plan administrative expenses for eligible Plan participants in 2013.

2. Summary of Significant Accounting Principles

Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting and are in conformity with U.S. generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (“IRS”) dated April 3, 2012, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes the Plan is qualified and the related trust is tax exempt.

U.S. generally accepted accounting principles require Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

PS 401(k) PROFIT SHARING PLAN
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Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs, (ASU 2011-04). ASU 2011-04 amended Accounting Standards Codification 820, Fair Value Measurement ("ASC 820") to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Adoption of ASU 2011-04 did not have an effect on the Plan's financial statements.

Investment Valuation and Income Recognition

The Plan's investments in Company equity securities, mutual funds, and the self-directed brokerage account investments are recorded at fair value as determined by the quoted market price on the last business day of the plan year. Common collective trusts are recorded at fair value based on the net asset value of the investment reported by the Trustee.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the payment date.

The common collective trusts that invest in fully benefit-responsive investment contracts are recorded at fair value; however, since these contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present these investments at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

3. Investments

Wells Fargo Bank has custody of the Plan's investments under a non-discretionary trust agreement with the Plan.

The following presents the fair value of investments at December 31, 2012 and 2011 that represent five percent (5%) or more of the Plan's net assets available for benefits:

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		2012				2011
				$12.55	61,386 shares	
		138,614 shares				
Equity compensation plans not approved by security holders	NA	NA	NA			
Total	138,614 shares	$12.55	61,386 shares			

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COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

LCNB has no direct employees. All officers and other employees performing services for LCNB are employees of the Bank. The Compensation Committee is a committee of the Board of Directors, made up of the independent members, and is responsible for developing the Bank's executive compensation principles, policies and programs. These include the compensation to be paid to the Chief Executive Officer, Chief Financial Officer and each of the other executive officers of the Company and the Bank. Stephen P. Wilson, Chief Executive Officer and Chairman of the Board, and Steve P. Foster, President, as directors participate in the deliberations concerning executive officer compensation, however, neither of them participate in the deliberations regarding their personal compensation.

The primary objectives of the Bank's executive officer compensation program are to:

.

Provide a direct link between executive officer compensation and the interests of LCNB and LCNB's shareholders by making a portion of executive officer compensation dependent upon the financial performance of the Bank and the consolidated corporation.

.

Support the achievement of the Bank's annual and longterm goals and objectives as determined by the Bank Board.

.

Establish base salaries targeted at a median level for comparable positions within a comparison group of companies in the banking industry with incentive opportunities designed to pay total compensation that are above the median for above median performance.

.

Provide compensation plans and arrangements that encourage the retention of our proven team of executive officers.

The total compensation package for executive officers of the Company and the Bank includes: base salary, annual cash bonuses which may be deferred, and stock options. Executive officers also receive other employee benefits generally available to all employees.

Generally, the named executive officers of the Bank are employed "at will" without severance agreements or employment contracts. The Company believes that its compensation levels and structure, as well as the Company's culture and intangibles generally alleviate the need for the Company to have such employment agreements with its named executive officers.

At the April 2011 Annual Meeting, the Company held its first “say-on-pay” advisory shareholder vote on the compensation of LCNB’s named executive officers. The compensation committee noted that the Company’s proposal regarding the say-on-pay vote had broad support among its shareholders. Further, the Company’s shareholders voted to hold an advisory shareholder vote on the compensation of LCNB’s named executive officers once every three years. Accordingly, the next advisory shareholder vote on the compensation of LCNB’s named executive officers will occur at the 2014 Annual Meeting.

For the fiscal year 2011 and 2012 executive compensation program, no specific component of the program was altered based on the results of the say-on-pay vote. The compensation committee and the Company's board of directors believe that the Company's executive compensation has been appropriately tailored to its business strategies, aligns pay with performance, and reflects best practices regarding executive compensation. The committee will continue to consider shareholder sentiments about the Company's core principles and objectives when determining executive compensation.

Use of Compensation Consultant

The Compensation Committee engaged an independent, outside compensation consultant, Richard Pease in 2009, to assess its senior-management compensation program and to review executive compensation changes. The compensation consultant reviewed base salary, incentive compensation, long-term stock options and benefits for LCNB executives and provided independent analyses and recommendations to the committee regarding executive compensation.

There is no other relationship between the compensation consultant and LCNB and the Board. This was the only service provided by the consultant.

Annual Base Salaries

In setting annual salaries for the executive officers, the Compensation Committee does not benchmark the salaries of its named executive officers against the salaries of any peer group of individual entities. The Compensation Committee does, however, consider the salaries set forth in the *Ohio Bankers League Bank Compensation & Benefits Survey* in setting the compensation for each of the named executive officers. The *Ohio Bankers League Bank Compensation & Benefits Survey* publishes the median and other certain percentile salaries of over 300 financial institutions that take part in its survey of financial institutions in Ohio, Illinois and Missouri. The survey does not individually identify the financial institutions that participate. When setting each named executive officer's annual salary, the Compensation Committee starts at the median salary for an equivalent position set forth in this survey, and adjusts the salary for each named executive officer based upon such officer's history with the Company, experience overall, and general skill level. Named executive officers with long histories with the Company and greater years of experience are generally compensated above the baseline provided by the median salary identified in the survey, while named executive officers with short histories with the Company and less experience are generally compensated below such baseline. The Compensation Committee uses the median salary from this survey as the starting point in setting the annual base salary for its named executive officers because doing so helps to ensure that the Company's compensation remains competitive and the Company is able to uphold its goal of maintaining stable, effective management. Finally, the Compensation Committee compares the individual performance of the executive measured against the Board of Directors' previously determined subjective performance objectives for each executive for the previous year. Taking into consideration all of these factors, the Compensation Committee sets each named executive officer's salary.

Performance Objectives

The Bank Board establishes subjective performance objectives for each executive officer on an annual basis. The performance objectives are tailored to the particular executive officer's area of responsibility within the Bank. Achievement performance objectives are used by the Compensation Committee in determining cash bonus awards for the named executive officers, as well as a factor in establishing annual base salaries for each upcoming year. For fiscal year 2011, the executive officers were evaluated based on their performance in the areas set forth below:

Stephen P. Wilson – Act as the Chief Executive Officer of LCNB, providing leadership and motivation to achieve Board approved goals and objectives. Be a spokesperson for LCNB to shareholders, customers, employees, and the media. Ensure the integrity of corporate records and various regulatory reports while supervising compliance with all applicable laws and regulations. Ensure that proper internal controls are in place and followed to protect the integrity of financial reporting. Communicate to the Board the progress toward goals and objectives, compliance issues, policy exceptions, and operational issues and risks.

Steve P. Foster – Act as President of LCNB, participating in setting corporate direction and goals while leading and supporting management in achieving those goals. Manage all LCNB employees to produce a level of profitability that meets or exceeds budgeted sales and income goals. Insure compliance with all applicable laws and regulations governing banking operations. Seek profitable opportunities to expand LCNB through internal growth and acquisition.

Bernard H. Wright, Jr. – Act as the Senior Trust Officer of LCNB, supervising the Bank's trust department to insure compliance with all applicable laws and regulations. Promote growth in the trust department to insure its future viability and to continue to meet income goals. Supervise and maximize the return on the security portfolios of the holding company, the Bank, and the trust department. Encourage and supervise the Bank's brokerage operation. Support shareholder relations by acting as LCNB's primary contact with LCNB's transfer agent. Participate as a member of the Bank's senior management team to develop direction and goals and assist in communicating and supporting management's priorities.

Robert C. Haines II – Act as the Chief Financial Officer of LCNB, assuring the integrity and accuracy of corporate financial records and various regulatory reports. Supervise the internal auditor, manage the relationship with the internal and external audit firms and act as a liaison to the Board of Director's Audit Committee. Supervise and direct the Bank's data processing and item processing functions. Prepare the budget and advise the executive management team and the Board of Directors on progress toward budget goals. Participate as a member of the Bank's senior management team to develop direction and goals and assist in communicating and supporting management's priorities.

Leroy F. McKay - Act as the Executive Vice President and Trust Officer of LCNB, assist with supervising the Bank's Trust Department to insure compliance with all applicable laws and regulations. Assist in managing the Trust Department to meet or exceed budgeted goals and promote growth to insure its future viability. Chair the Bank's

Privacy Committee and lead initiatives aimed at protecting customer information and complying with applicable laws and regulations. Chair the Bank's CRA Committee and guide the committee in maintaining an outstanding rating. Participate as a member of the Bank's senior management team to develop direction and goals and assist in communicating and supporting management's priorities.

Cash Bonuses and Option Awards

In addition to the payment of base salary and the provision of standard employee benefits, the Bank's compensation program provides executive officers the opportunity to earn additional compensation in the form of incentive cash bonuses and option awards.

Cash Bonuses

The cash bonus program for executive officers is based on the performance of the Company and the performance of the executive officer in meeting assigned goals for both the Company and the officer personally. For named executive officers as well as employees of the Bank generally, the Compensation Committee believes that it is important to create an incentive to focus on the profitability and growth of the Company, and so the large majority of bonuses paid to all employees of the Company are based on the Company's performance. However, realizing that individual performance is not always fully recognizable solely in the Company's performance, the executive officers are also given bonuses based on the achievement of the goals detailed under *Performance Objectives* that are communicated at the beginning of each year to each executive and are unique to each executive officer's responsibilities.

In 2011, each named executive officer was eligible to receive a cash bonus based partially on the Company's performance for 2011 as measured by the return on average assets (ROAA). Each named executive officer was eligible to receive a cash bonus ranging from 5.50% of that officer's base salary in the event that the Company's ROAA was 1.00% and 20% of that officer's base salary in the event that the Company's ROAA was 1.8%. In 2011, the Company's ROAA was 1.02%, and so the portion of the cash bonus dependent on the Company's performance received by the named executive officers was 5.5% of their annual base salary. In 2010, the Company's ROAA was 1.22%, and so the portion of the cash bonus dependent on the Company's performance received by the named executive officers was 8.0% of their annual base salary.

The table below sets forth all of the potential bonus amounts tied to ROAA for 2010, 2011, and 2012.

Range of Company's Return on Average Assets	Cash Bonus as a Percentage of the Named Executive Officer's Base Salary in 2010, 2011, and 2012
1.8% and above	20%
1.75-1.79%	19.0%
1.70-1.74%	18.0%
1.65-1.69%	17.0%
1.60-1.64%	16.0%
1.55-1.59%	15.0%
1.50-1.54%	14.0%

1.45-1.49%	13.0%
1.40-1.44%	12.0%
1.35-1.39%	11.0%
1.30-1.34%	10.0%
1.25-1.29%	9.0%
1.20-1.24%	8.0%
1.15-1.19%	7.0%
1.10-1.14%	6.5%
1.05-1.09%	6.0%
1.00-1.04%	5.5%
.95-.99%	0%
.90-.94%	0%
.85-.89%	0%
.80-.84%	0%
Below .80%	0%

The other portion of each named executive officer’s cash bonus was awarded based on the achievement of that individual's subjective *Performance Objectives* set forth above. In 2010 and 2011, each named executive officer could earn up to an additional 6.00% of his base salary for meeting his individual *Performance Objectives*. This additional 6.00% is to further incentivize personal achievement of the *Performance Objectives*. As can be seen in the table above, the Compensation Committee correspondingly increased the percentage of ROAA that must be achieved by the Company in order for the named executive officers to achieve the same bonus as a percent of their annual salary. This change further emphasized individual performance, and decreased bonuses for merely adequate Company performance.

Therefore, the largest cash bonus that a named executive officer would have been able to achieve in 2011 was 11.50% of his annual base salary. The Company believes that it has set the sliding scale for cash bonus compensation so that some level of bonuses are expected to be earned by the named executive officers based on adequate performance of the Company and of the individual named executive officers, but that significantly larger bonuses will only be achieved by exceptional performance both by the Company and by an individual named executive officer.

Option Awards

The Company has an equity incentive plan that provides stock options to certain executive officers. This plan was established in 2002 with the help of a compensation consultant. The Compensation Committee has proposed and the Board ratified a formula for determining the number of options to be awarded to executive officers that, in line with promoting the long term growth of the Company as well as the stability of management, provides for executive officers to be able to receive option awards similar in value to the cash bonuses that they receive. In doing so, the Company uses the following formula: *base salary X matrix factor X 25% / average price per share = options awarded*. The matrix factor used in the formula is derived from a performance matrix created by the Board each year, in December, to be applied for the following year. The range of matrix factors is from .80 to 1.20. The y-axis of the matrix is Percentage Growth in Assets Under Management and the x-axis is Earnings Per Share. "Assets Under Management" means the sum of LCNB total assets, trust and investment assets managed, mortgage loans serviced, business cash management and brokerage account assets. The intersection on the matrix of the Bank’s actual percentage growth of Assets Under Management and actual Earnings Per Share for the year result in the factor to be used in the option formula. By using the Earnings Per Share as well as the Percentage Growth of the Assets Under Management, the named executive officers are able to receive bonuses for performance demonstrated in a different way than the performance rewarded by the cash bonuses. The Compensation Committee believes that basing long term incentive compensation on the growth and profitability of the Company in this way will incentivize the named executive officers to focus on the long term success of the Company by growing the Company and growing the Company profitably.

The following matrix was used in 2011.

LCNB Stock Option Award Performance Matrix
Guidelines
As a Multiple of Target Award

					EPS						
Growth	**$1.21**	**$1.23**	**$1.25**	**$1.27**	**$1.29**	**$1.31**	**$1.33**	**$1.35**	**$1.37**	**$1.39**	**$1.41**
6.50%	0.94	0.96	0.98	1.00	1.02	1.04	1.06	1.08	1.10	1.12	1.14
6.00%	0.92	0.94	0.96	0.98	1.00	1.02	1.04	1.06	1.08	1.10	1.12
5.50%	0.90	0.92	0.94	0.96	0.98	1.00	1.02	1.04	1.06	1.08	1.10
5.00%	0.88	0.90	0.92	0.94	0.96	0.98	1.00	1.02	1.04	1.06	1.08
4.50%	0.86	0.88	0.90	0.92	0.94	0.96	0.98	1.00	1.02	1.04	1.06
4.00%	0.84	0.86	0.88	0.90	0.92	0.94	0.96	0.98	1.00	1.02	1.04
3.50%	0.82	0.84	0.86	0.88	0.90	0.92	0.94	0.96	0.98	1.00	1.02
3.00%	0.80	0.82	0.84	0.86	0.88	0.90	0.92	0.94	0.96	0.98	1.00
2.50%	0.78	0.80	0.82	0.84	0.86	0.88	0.90	0.92	0.94	0.96	0.98
2.00%	0.76	0.78	0.80	0.82	0.84	0.86	0.88	0.90	0.92	0.94	0.96
1.50%	0.74	0.76	0.78	0.80	0.82	0.84	0.86	0.88	0.90	0.92	0.94

In 2011, based on actual percentage growth in assets under management of 1.92% and earnings per share of $1.21, the matrix factor was 0.76. In 2010 the matrix factor was 1.14, based on assets under management growth of 6.24% and earnings per share of $1.40. The options are granted by the Board after year-end results are known. The day the Board approves the options is known as the grant date and the exercise price is the market price of LCNB Common Stock on that grant date. The options vest according to the following schedule on each anniversary of the Grant Date:

Years after the Grant Date	Vested Percentage
Less than 1	0%
At least 1 but less than 2	20%
At least 2 but less than 3	40%
At least 3 but less than 4	60%
At least 4 but less than 5	80%
At least 5 but no more than 10	100%

Any options which are vested and not exercised within 10 years from the date of the grant shall be deemed expired and no longer exercisable by the eligible person.

Other Compensation

The Company also provides other compensation to the named executive officers as it determines is necessary or advisable. Mr. Wilson receives an allowance for an automobile and the named executive officers all receive payments for health insurance and long-term disability, as the Compensation Committee has decided that such small perquisites aid in the retention of the named executive officers.

Further, the Company maintains a Supplemental Income Plan for Mr. Wilson. This plan was entered into in 1996, and provides that Mr. Wilson will receive certain benefits upon his reaching 65 years of age, or a change in control of the Company. The Company adopted the plan in order to create an additional incentive for Mr. Wilson to continue his service with the Company as its Chief Executive Officer and to provide Mr. Wilson with added security for his retirement or in the case that the Company was sold. The Company is not currently obligated to make any payments under this plan.

Analysis of Total Mix of Compensation

The Board of Directors feels that the combination of making bonus payments based upon specific goals for each officer and separate bonus payments tied to growth goals for the bank provides the necessary incentives to reach the bank's objectives. The bonus and the base salary together can provide the executive officer a compensation package that is competitive with peers in the financial industry.

The following table summarizes, for the fiscal years indicated, all annual compensation earned by or granted to the Company's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers whose annual salary exceeds $100,000, for all services rendered to the Company in all capacities (the "named executives"). The named executives are employees of the Bank. The Bank is a wholly-owned subsidiary of LCNB.

This table reflects annual compensation earned by each of the named executives as a result of their service to LCNB, or the Bank.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation($)	Non-Qualified Deferred Compensation Earnings($)	All Other Compensation	Total ($)
Stephen P. Wilson,	2011	$ 250,000	N/A	$ 12,204	$ 28,750	$ 339,246(2)	$ 25,103(3)	$ 655,303

Chairman and Chief Executive Officer	2010	$ 242,462	$ 33,945	$ 10,735	$ 0.00	$ 259,715	$ 24,030	$ 570,887
	2009	$ 226,600	N/A	$ 11,556	$ 25,300	$ (88,883)	$ 23,965	$ 195,538
Robert C. Haines II,	2011	$ 91,000	N/A	$ 4,328	$ 10,462	$ 18,383(2)	$ 12,180(3)	$ 136,353
	2010	$ 86,000	N/A	$ 3,600	$ 12,040	$ 5,952	$ 4,243	$ 111,835
Executive Vice President and Chief Financial Officer	2009	$ 76,000	N/A	$ 3,729	$ 8,165	$ 5,931	$ 3,910	$ 97,735
Steve P. Foster, *President*	2011	$ 175,000	N/A	$ 8,004	$ 20,125	$ 227,112(2)	$ 19,371(3)	$ 449,612
	2010	$ 159,000	N/A	$ 7,105	$ 21,333	$ 112,953	$ 18,906	$ 319,296
	2009	$ 150,000	N/A	$ 7,354	$ 16,100	$ 98,628	$ 20,256	$ 292,338
Leroy F. McKay,	2011	$ 107,000	N/A	$ 5,235	$ 12,305	$ 119,695(2)	$ 6,443(3)	$ 250,677
Executive Vice President	2010	$ 104,000	N/A	$ 4,737	$ 14,560	$ 32,275	$ 7,050	$ 162,622
	2009	$ 100,000	N/A	$ 5,094	$ 11,155	$ 38,955	$ 6,684	$ 161,888
Bernard H. Wright, Jr., *Senior Executive Vice President*	2011	$ 133,000	N/A	$ 6,495	$ 15,295	$ 199,245(2)	$ 7,116(3)	$ 361,152
	2010	$ 129,000	N/A	$ 5,875	$ 18,060	$ 113,911	$ 6,176	$ 273,022
	2009	$ 124,000	N/A	$ 6,356	$ 13,915	$ 92,448	$ 5,907	$ 242,626

(1)

Assumptions used in determining fair value are disclosed in the footnote "Stock Based Compensation" located on pages 93-94 of LCNB's Annual Report in Form 10-K for the year ended December 31, 2011.

(2)

Includes above market interest paid on the non-qualified deferred compensation plan as follows: Mr. Wilson, $35,604; Mr. Foster, $20,994; Mr. Wright, $18,354; Mr. McKay, $4,287 and Mr. Haines, $437. The above market interest rate is calculated by subtracting 120% of the federal long-term rate (2.76%) from the rate paid by the Bank on the deferred compensation funds (currently 8%). The resulting difference of 4.69% was used to calculate the above market interest disclosed in the above table.

Also includes the change in aggregate increase in the actuarial present value of the officer's accumulated benefit under the Bank's defined benefit plan as follows: Mr. Wilson, $185,477; Mr. Haines, $17,946; Mr. Foster, $105,834; Mr. Wright, $101,471; and Mr. McKay, $115,408. Also includes the change in aggregate increase in the actuarial present value of the officer's accumulated benefit under the Bank's Non-Qualified benefit plan as follows: Mr. Wilson, $79,739; Mr. Foster, $100,284; and Mr. Wright, $79,420. Also includes the change in actuarial present value of Mr. Wilson's supplemental income plan of $38,426.

(3)

Includes Bank director fees for: Mr. Wilson, $14,000; and Mr. Foster, $14,000;

Includes Dakin Insurance director fees for: Mr. Wilson, $100; Mr. Foster, $100; and Mr. Wright, $100.

Includes health and long-term disability payments as follows: Mr. Wilson, $7,437; Mr. Haines, $4,969; Mr. Foster, $5,271; Mr. Wright, $7,016, and Mr. McKay, $6,443.

Includes auto allowance for Mr. Wilson of $3,566.

Includes 401(k) contributions for Mr. Haines of $7,211.

The following table summarizes for fiscal year 2011 each grant of an award under the Company's non-equity and equity incentive plans to the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers whose salary exceeds $100,000.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards(1)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards (2)
		Target	Maximum	Target		

		Threshold ($)	($)	($)	Threshold (#)	(#)	Maximum (#)		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(k)	(l)
Stephen P. Wilson	2/14/11		$27,883	$63,040	3,690	5,271	6,325	$11.85	$12,204
Robert C. Haines II	2/14/11		$9,890	$22,360	1,309	1,870	2,243	$11.85	$4,328
Steve P. Foster	2/14/11		$18,285	$41,340	2,420	3,457	4,148	$11.85	$8,004
Bernard H. Wright, Jr.	2/14/11		$14,835	$33,540	1,963	2,804	3,365	$11.85	$6,495
Leroy F. McKay	2/14/11		$11,960	$27,040	1,583	2,261	2,713	$11.85	$5,235

(1)

Although the Estimated Future Payouts are provided in the table, the awards were granted in 2011 and are disclosed in the "Summary Compensation Table."

(2)

Grant Date Fair Value of Option Awards granted on February 14, 2011 calculated as (total number of securities underlying options) multiplied by $2.093.

The executive officers, as well as all employees participate, in a Non-Equity Incentive Plan. This plan rewards employees based on the financial performance of the Corporation as described in the Compensation Discussion and Analysis. The estimated future payouts for the named officers in the above table are calculated using the ROAA scale established by the Compensation Committee and approved by the Board. The target payout is the first ROAA (1.00%) that is rewarded and the maximum payout is the highest ROAA (1.80%) that is rewarded. The appropriate percentage is multiplied by the officer's base salary to determine the cash award.

Only certain executive officers participate in the Equity Incentive Plan. This plan rewards those officers with stock option grants based on a matrix that includes the growth in assets under management as well as the growth in earnings per share as described in the Compensation Discussion and Analysis. The estimated future payouts at the threshold level used assets under management growth of 2.00% and earnings per share of $1.21 resulting in a factor of 0.76. The estimated future payouts at the target level used assets under management growth of 5.0% and earnings per share of $1.33 resulting in a factor of 1.00. The estimated future payouts at the maximum level used assets under management of 7.50% and earnings per share of $1.43 resulting in a factor of 1.20. These factors, with each officer's base salary are used to calculate the stock option awards.

The following table summarizes, as of the end of fiscal year 2011, for each of the Company's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers whose annual salary exceeds $100,000, information concerning unexercised options and unvested stock and equity incentive plan awards.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date
Stephen P. Wilson	4,280(1)	0	$13.09	02/03/13
	2,820(2)	0	$17.66	01/26/14
	2,650(3)	0	$18.95	01/30/16
	2,115(4)	529	$17.88	02/05/17
	2,685(5)	1,790	$12.55	02/19/18
	2,444(6)	3,667	$ 9.00	01/26/19
	946(7)	3,783	$11.50	02/21/20
	0(8)	5,831	$11.85	02/14/21
Robert C. Haines II (9)	N/A	N/A	$13.09	02/03/13
	N/A	N/A	$17.66	01/26/14
	N/A	N/A	$18.95	01/30/16
	N/A	N/A	$17.88	02/05/17

	N/A	N/A	$12.55	02/19/18
	789(6)	1,183	$ 9.00	01/26/19
	317(7)	1,269	$11.50	02/21/20
	0(8)	2,068	$11.85	02/14/21
Steve P. Foster	2,252(1)	0	$13.09	02/03/13
	1,472(2)	0	$17.66	01/26/14
	1,460(3)	0	$18.95	01/30/16
	1,208(4)	302	$17.88	02/05/17
	1,579(5)	1,052	$12.55	02/19/18
	1,556(6)	2,333	$ 9.00	01/26/19
	626(7)	2,504	$11.50	02/21/20
	0(8)	3,824	$11.85	02/14/21

Leroy F. McKay(9)	N/A	N/A	$13.09	02/03/13
	N/A	N/A	$17.66	01/26/14
	N/A	N/A	$18.95	01/30/16
	N/A	N/A	$17.88	02/05/17
	N/A	N/A	$12.55	02/19/18
	1,078(6)	1,616	$ 9.00	01/26/19
	417(7)	1,670	$11.50	02/21/20
	0(8)	2,501	$11.85	02/14/21
Bernard H. Wright, Jr.	2,144(1)	0	$13.09	02/03/13
	1,400(2)	0	$17.66	01/26/14
	1,384(3)	0	$18.95	01/30/16
	1,122(4)	280	$17.88	02/05/17
	1,435(5)	956	$12.55	02/19/18

1,344(6)	2,017	$ 9.00	01/26/19
518(7)	2,070	$11.50	02/21/20
0(8)	3,103	$11.85	02/21/21

(1)

Vested 20% in 2004, 20% in 2005, 20% in 2006, 20% in 2007, and 20% in 2008

(2)

Vested 20% in 2005, 20% in 2006, 20% in 2007, 20% in 2008, and 20% in 2009

(3)

Vested 20% in 2007, 20% in 2008, 20% in 2009, 20% in 2010, and 20% in 2011

(4)

Vested 20% in 2008, 20% in 2009, 20% in 2010, and 20% in 2011

(5)

Vested 20% in 2009, 20% in 2010, and 20% in 2011

(6)

Vested 20% in 2010 and 20% in 2011

(7)

Vested 20% in 2011

(8)

Vesting will begin in 2012

(9)

Mr. Haines and Mr. McKay were not eligible to participate in the Equity Incentive Plan until 2008

Option Exercises and Stock Vested

The following table summarizes for fiscal year 2011, all exercises of options and vesting of stock awards for each of the Company’s Chief Executive Office, Chief Financial Officer and the three other most highly compensated executive officers whose salary exceeds $100,000.

OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Stephen P. Wilson	N/A	N/A	N/A	N/A
Steve P. Foster	N/A	N/A	N/A	N/A
D.J. Benjamin Jackson	N/A	N/A	N/A	N/A
Bernard H. Wright, Jr.	N/A	N/A	N/A	N/A
David S. Beckett	N/A	N/A	N/A	N/A

Defined Benefit Plan Disclosure

In 1954, the Bank adopted the LCNB National Bank Employees Pension Plan that has been amended from time to time to comply with changes in the law (the "Plan"). The Plan is a defined benefit plan that was available to substantially all of the salaried employees of the Bank. An employee was eligible to participate in the Plan on July 1st after the attainment of age 21, the completion of 12 months of service, and the completion of at least 1,000 hours of service with the Bank during a plan year. Participants were eligible for normal retirement after age 65 or the completion of five years of participation in the Plan, whichever is later. Participants may elect early retirement upon reaching age 60.

The Plan provided a monthly retirement benefit to Bank employees upon retirement in an amount equal to 50% of the participant's average monthly compensation, reduced proportionately (a) if the participant who was hired prior to 2002 has less than 15 years of service at the age 65 or (b) if the participant who was hired after 2001 has less than 30 years of service at age 65. A participant's average monthly compensation is based on the five consecutive years of a participant's employment with the Bank that produce the highest monthly average. Benefits are not reduced by Social Security payments or by payments from other sources and are payable in the form of a life annuity (ten years certain).

Effective January 1, 2009, LCNB redesigned its noncontributory defined benefit retirement plan and merged its single-employer plan into a multiple-employer plan. Employees hired on or after January 1, 2009 are not eligible to participate in the defined benefit plan.

Effective February 1, 2009, LCNB amended the Plan to reduce benefits for those whose age plus vesting service equaled less than 65 at that date. Employees whose age plus vesting service equaled 55 to 64 will receive a monthly retirement benefit equal to 40% of the participant’s average monthly compensation. Employees whose age plus vesting service equaled less than 55 will receive a monthly retirement benefit equal to 30% of the participant’s average monthly compensation. Employees who received a benefit reduction under the retirement plan amendments will receive an automatic contribution of 5% (those receiving 40% of monthly compensation) or 7% (those receiving 30% of monthly compensation) of annual compensation into their 401-K plans, regardless of the contributions made by the employees. These employees will not receive any employer matches to their 401-K contributions. Employees whose age plus vesting service equaled 65 or greater were not impacted.

Also effective February 1, 2009, an enhanced 401-K plan was made available to those hired on or after January 1, 2009 and to those who received benefit reductions from the amendments to the noncontributory defined benefit retirement plan. Employees hired on or after January 1, 2009 will receive a 50% employer match on their contributions into their 401-K plans, up to a maximum LCNB contribution of 3% of each individual employee’s annual compensation.

Effective February 1, 2009, LCNB established a nonqualified defined benefit retirement plan for certain highly compensated employees. 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.

The following table summarizes, as of the end of fiscal year 2011, for each of the Company’s Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers whose annual salary exceeds $100,000, information concerning each plan that provides for payments or other benefits at, following, or in connection with retirement.

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits ($)	Payments During Last Fiscal Year ($)
Stephen P. Wilson	Defined Benefit Plan	36	1,055,469	None
	Non-Qualified Plan		152,866	None
	Supplemental Income	15	424,563	None
Robert C. Haines II	Defined Benefit Plan	17	51,228	None
Steve P. Foster	Defined Benefit Plan	34	555,575	None
	Non-Qualified Plan		165,756	
Bernard H. Wright, Jr.	Defined Benefit Plan	34	642,394	None
	Non-Qualified Plan		137,619	
Leroy F. McKay	Defined Benefit Plan	16	388,356	None

The Defined Benefit Plan's actuarial assumptions used in 2011 included a discount rate of 4.40%, an expected long-term rate of return for Plan assets of 4.40%, and a future compensation rate increase of 3%. The expected long-term rate of return on Plan assets was determined using historic returns on investments, adjusted for expected long-term interest rates.

The Bank also maintains a supplemental income plan for the Chief Executive Officer, Stephen P. Wilson. This plan began January 1, 1996. Mr. Wilson will receive an estimated annual benefit of $83,326 upon retirement at the normal retirement age. Monthly benefits are determined by calculating 2½% of the executive's highest monthly average compensation and multiplying that sum by the lesser of the executive's years of service or ten. This benefit is paid in 120 monthly payments.

The following table summarizes, as of the end of fiscal year 2011, for each of the Company's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers whose annual salary exceeds $100,000, information concerning each defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

NON-QUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($)(2)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
Stephen P. Wilson	33,945	None	61,691	None	804,416
Robert C. Haines II	3,010	None	759	None	10,038
Steve P. Foster	21,333	None	36,377	None	474,409
Leroy F McKay	14,560	None	7,431	None	97,488
Bernard H. Wright, Jr.	18,060	None	31,803	None	414,723

(1)

The Executive Officers' contributions are also included in the Summary Compensation Table under Non-Equity Incentive Plan Compensation.

(2)

The portion of the Aggregate Earnings is also included in the Summary Compensation Table under Non-Qualified Deferred Compensation Earnings because the Bank is paying an above market rate on the aggregate balances that the Executive Officers have deferred. Those amounts for each officer are: Mr. Wilson, $35,604; Mr. Foster, $20,994; Mr. McKay, $4,287; Mr. Wright, $18,354; and Mr. Haines, $437.

The Bank has a benefit plan which permits executive officers to defer all or a portion of their cash bonus. The deferred compensation balance, which accrues interest at 8% annually, is distributable in cash after retirement or termination of employment either in one lump sum payment or ten equal payments over a period of ten years, in the discretion of the executive officer. Through the Compensation Committee, the LCNB Board of Directors determines the interest rate that will be used to calculate earnings under the plan.

Termination and Change in Control Payments

The Company does not have employment agreements with its named executive officers. Therefore, these officers are employees at will and a termination of these named executive officers as of December 31, 2011 would not have triggered any payment obligations of the Company under their employment arrangements. However, under some of the Company's other benefit plans, the named executive officers would have been entitled to receive payments if a termination or change in control happened on December 31, 2011.

The Deferred Compensation Plan provides that in the event of any termination of a named executive officer, or a change in control of the Company, the named executive officers affected by the termination or change in control are entitled to receive the entire amount of the deferred compensation in their account as of the next valuation date after such event. The named executive officer may elect whether to receive the deferred compensation in one lump sum, or in annual payments over ten years. In the event that each of the named executive officers experienced a termination event on December 31, 2011, each would be entitled to receive the following amounts under the Deferred Compensation Plan:

Stephen P. Wilson	$804,416
Robert C. Haines II	$10,038
Steve P. Foster	$474,409
Leroy F. McKay	$97,489
Bernard H. Wright, Jr.	$414,723

The Option Award Plan contains a double-trigger change of control clause that provides an acceleration of vesting for the option holder upon a change of control as follows: the period beginning three months prior to the effective date of any change of control of the Company and ending on the first anniversary of such a change of control, one hundred percent of the options granted which have been outstanding for at least six months shall vest and be exercisable by the option holder in the event that (a) the option holder's status as an employee is involuntarily terminated by the Company for any reason other than cause, or (b) the option holder voluntarily terminates his status as an employee as the result of a material reduction in the option holder's duties, title, or compensation from the Company. Thus, if there was a change in control on December 31, 2011 and the named executive officers were terminated or experienced material reductions in their duties, all of the options held by the named executive officers for longer than six months would vest. Upon such events, the named executive officers would have options convertible into the following amount of shares of the Company's common stock vest:

Stephen P. Wilson	33,540
Robert C. Haines II	5,626
Steve P. Foster	20,168
Leroy F. McKay	7,282
Bernard H. Wright, Jr.	17,773

For the purposes of the Deferred Compensation Plan, a change in control would be deemed to have happened if a person or group obtained control of 50% of the Company’s stock, a person or group acquires 35% of the Company’s stock within a 12 month period, a majority of the members of the board of directors are replaced within a 12 month period without the endorsement of a majority of the members of the board, or if any person or group acquires assets from the Company worth at least 40% of the fair market value of all of the assets of the Company. For the Stock Option Plan, a change in control would be deemed to have happened if a person or group obtained control of 50% of the Company's stock, or a merger or sale of substantially all of the assets, reorganization, or the a majority of the members of the board of directors are replaced, without the approval of the board of directors.

The Company maintains a Supplemental Income Plan for Steve Wilson. Pursuant to this Supplemental Income Plan, Mr. Wilson would be entitled to payment of the present value of Mr. Wilson’s benefits to be received under the plan in the event that Mr. Wilson died or was disabled on December 31, 2011, or a change of control of the Company or the Bank occurred on that date. The present value of the benefits under the plan as of December 31, 2011 was $424,563. In the event that Mr. Wilson left the Company for any other reason (other than for cause) on December 31, 2011, he would not be entitled to receive any acceleration of the payments otherwise due to him under the plan. If Mr. Wilson was terminated for cause on December 31, 2011, the Company would not have to make any future payments to him under the plan.

For the purposes of the Supplemental Income Plan, a change of control means an acquisition of 30% or more of the Bank’s shares, a reorganization of the Bank where persons who were not stockholders of the Bank prior to the reorganization own more than 50% of the Bank’s stock, a liquidation of the Bank, or a sale of all or substantially all of the Bank’s assets.

Compensation Committee Report on Executive Compensation

The Compensation Committee has reviewed and discussed the Compensation Discussion & Analysis contained in this Proxy Statement with management of the Company and has recommended its inclusion in the Company's annual report on Form 10-K and in this Proxy Statement.

The Compensation Committee of LCNB National Bank:

Rick L. Blossom	George L. Leasure
Spencer S Cropper	Anne E. Krehbiel
Kathleen Porter Stolle	

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTING FIRM

The independent registered public accounting firm selected by the Audit Committee for the current year is J.D. Cloud & Co., LLP, 1100 Mercantile Center, 120 East Fourth Street, Cincinnati, Ohio. A representative of J.D. Cloud will be present at the Annual Shareholders Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed by J.D. Cloud for professional services rendered for the annual audit of the Company's financial statements, the audit of the internal control over financial reporting and the reviews of the unaudited interim consolidated financial statements included in the Company’s Quarterly Reports on Form 10-Q for the fiscal years 2011 and 2010 were $150,000 and $145,000, respectively.

Audit Related Fees

The aggregate fees billed by J.D. Cloud for assurance and related services that are reasonably related to the performance of the audit of the Company’s financial statements and not reported under “Audit Fees” were $9,424 for fiscal year 2011 and $8,943 for fiscal year 2010. Audit related fees consist of accounting consultation in connection with the disposal of the Company’s insurance subsidiary and other matters, as well as required procedures in connection with the filing of Form S-3 in 2011; and accounting consultation relating to discontinued operations, restricted stock goodwill impairment and other matters in 2010.

Tax Fees

The aggregate fees billed by J.D. Cloud for professional services rendered for tax services, were $20,419 for fiscal year 2011 and $26,778 for fiscal year 2010. Tax fees consisted of $13,750 for Federal, state and local income and franchise tax return preparation and $6,669 for other returns and miscellaneous consulting in fiscal year 2011. Tax fees consisted of $13,750 for Federal, state and local income and franchise tax return preparation and $13,028 for other returns and miscellaneous consulting in fiscal year 2010.

As required by the Sarbanes-Oxley Act of 2002, the Audit Committee is responsible for the approval of all audit and permitted non-audit services performed by the independent public accountants for the Company. The entire Audit Committee determines whether to approve such services and, therefore, no other pre-approval policies or procedures are currently in place. The Audit Committee approved 100% of the audit and permitted non-audit services performed by J.D. Cloud. The Audit Committee has considered and ultimately determined that the provision of any of the non-audit or other services provided by J.D. Cloud to the Company is compatible with maintaining J.D. Cloud’s independence.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on April 24, 2012. The proxy statement and annual report to security holders are available at http://www.lcnbcorp.com.

The proxy statement, annual report to security holders and form of proxy are being made publicly available, free of charge, on the aforementioned website, which will remain available through the conclusion of the Annual Meeting of Shareholders to be held on April 24, 2012 at 10:00 am at the principal executive offices of LCNB Corp. at 2 North Broadway, Lebanon, Ohio 45036. If you need directions to the location of the annual meeting in order to attend the meeting and vote in person, please call 1-800-344-2265.

2013 ANNUAL MEETING

In order for any shareholder proposals for the 2013 annual meeting of shareholders to be eligible for inclusion in the Company's proxy statement relating to that meeting to be presented for shareholder action at that meeting, they must be received by the Secretary of the Company at P.O. Box 59, Lebanon, Ohio 45036, prior to November 30, 2012. The form of proxy distributed by the Company with respect to the 2013 annual meeting of shareholders may include discretionary authority to vote on any matter which is presented to the shareholders at the meeting (other than management) if the Company does not receive notice of that matter at the above address prior to January 15, 2013.

OTHER MATTERS

The Board of Directors does not know of any other business to be presented at the meeting and does not intend to bring other matters before the meeting. However, if other matters properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote thereon according to their best judgment in the interests of the Company.

By Order of the Board of Directors

____

Stephen P. Wilson

Chairman and Chief Executive Officer

REVOCABLE PROXY

LCNB CORP.

[X] PLEASE MARK VOTES

AS IN THIS EXAMPLE

ANNUAL MEETING OF SHAREHOLDERS **April 24, 2012** **THIS PROXY IS SOLICITED ON BEHALF** **OF THE BOARD OF DIRECTORS**.	**1. Proposal 1. Election of Directors**. The nominees for the Class I Directors to serve a three-year term and until their successors are elected and qualified are: **Class I – Stephen P. Wilson** **Class I – Spencer S. Cropper** **INSTRUCTION: To withhold authority to vote for any individual nominee, mark "For All Except" and write that nominee's name in the space provided below.**	WITH- FOR ALL FOR HOLD EXCEPT [ ] [ ] [ ]

		FOR	AGAINST	ABSTAIN
The undersigned hereby appoints W. Jean Bell, E. James Cochran and Joseph W. Schwarz, and each of them, with full power of substitution, as proxies to vote, as designated below, for and in the	**2. Proposal 2.** To ratify the appointment of J.D.& Co., LLP as the independent registered accounting firm for the company.	[ ]	[ ]	[ ]

name of the undersigned all shares of stock of LCNB Corp. which the undersigned is entitled to vote at the annual meeting of the shareholders of said Company scheduled to be held on April 24, 2012 at 2 North Broadway, Lebanon, Ohio or at any adjournments or recesses thereof.

Please mark X in the appropriate box. The Board of Directors recommends a FOR vote for each of proposals 1 and 2.

3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof.

This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted FOR the election of Directors.

ALL FORMER PROXIES ARE HEREBY REVOKED

Please be sure to sign and date

Date

this Proxy in the box below

Shareholder sign above

Co-holder (if any) sign above

Detach above card, sign, date and mail in postage paid envelope provided.

LCNB CORP.

P.O. Box 59, Lebanon, Ohio 45036

(Please sign exactly as your name appears hereon. All joint owners should sign. When signing in a fiduciary capacity or as a corporate officer, please give your full title as such)

Please mark, sign, date and mail this proxy in the envelope provided.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.