

LCNB CORP
Form 10-Q
November 09, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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

For the transition period from _____ to _____

Commission File Number 001-35292

LCNB Corp.

(Exact name of registrant as specified in its charter)

Ohio

31-1626393

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

2 North Broadway, Lebanon, Ohio 45036

(Address of principal executive offices, including Zip Code)

(513) 932-1414

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

Yes No

The number of shares outstanding of the issuer's common stock, without par value, as of November 8, 2018 was 13,305,375 shares.

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LCNB CORP. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LCNB CORP. AND SUBSIDIARIES
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (Dollars in thousands, except per share data)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS:		
Cash and due from banks	\$16,136	\$21,159
Interest-bearing demand deposits	3,676	4,227
Total cash and cash equivalents	19,812	25,386
Interest-bearing time deposits	6,873	—
Investment securities:		
Equity securities with a readily determinable fair value, at fair value	2,200	2,160
Equity securities without a readily determinable fair value, at cost	2,099	1,099
Debt securities, available-for-sale, at fair value	247,437	275,213
Debt securities, held-to-maturity, at cost	31,679	32,571
Federal Reserve Bank stock, at cost	4,653	2,732
Federal Home Loan Bank stock, at cost	4,845	3,638
Loans, net	1,158,309	845,657
Premises and equipment, net	33,028	34,927
Premises held for sale, net	505	—
Goodwill	59,287	30,183
Core deposit and other intangibles	5,306	3,799
Bank owned life insurance	28,539	27,985
Other assets	15,727	10,288
TOTAL ASSETS	\$1,620,299	\$1,295,638
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$333,440	\$283,212
Interest-bearing	1,037,583	802,609
Total deposits	1,371,023	1,085,821
Short-term borrowings	—	47,000
Long-term debt	23,079	303
Accrued interest and other liabilities	12,682	12,243
TOTAL LIABILITIES	1,406,784	1,145,367
COMMITMENTS AND CONTINGENT LIABILITIES	—	—
SHAREHOLDERS' EQUITY:		
Preferred shares – no par value, authorized 1,000,000 shares, none outstanding	—	—
Common shares – no par value; authorized 19,000,000 shares; issued 14,058,603 and 10,776,686 shares at September 30, 2018 and December 31, 2017, respectively	140,996	76,977

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Retained earnings	91,617	87,301
Treasury shares at cost, 753,627 shares at September 30, 2018 and December 31, 2017	(11,665)	(11,665)
Accumulated other comprehensive loss, net of taxes	(7,433)	(2,342)
TOTAL SHAREHOLDERS' EQUITY	213,515	150,271
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,620,299	\$ 1,295,638

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

The consolidated condensed balance sheet as of December 31, 2017 has been derived from the audited consolidated balance sheet as of that day.

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CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
INTEREST INCOME:				
Interest and fees on loans	\$13,363	\$ 9,095	\$33,479	\$ 26,833
Dividends on equity securities:				
With a readily determinable fair value	17	13	48	44
Without a readily determinable fair value	7	6	22	17
Interest on debt securities:				
Taxable	901	1,089	2,766	3,289
Non-taxable	661	783	2,045	2,377
Other investments	121	69	390	293
TOTAL INTEREST INCOME	15,070	11,055	38,750	32,853
INTEREST EXPENSE:				
Interest on deposits	1,810	850	3,777	2,539
Interest on short-term borrowings	12	55	88	97
Interest on long-term debt	145	3	226	10
TOTAL INTEREST EXPENSE	1,967	908	4,091	2,646
NET INTEREST INCOME	13,103	10,147	34,659	30,207
PROVISION FOR LOAN LOSSES	659	(12)	962	225
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,444	10,159	33,697	29,982
NON-INTEREST INCOME:				
Fiduciary income	1,081	871	2,987	2,604
Service charges and fees on deposit accounts	1,439	1,352	4,170	3,886
Net gain (loss) from sales of debt securities, available-for-sale	(7)	) 78	(8)	) 218
Bank owned life insurance income	185	190	553	676
Gains from sales of loans	63	34	182	136
Other operating income	160	134	464	359
TOTAL NON-INTEREST INCOME	2,921	2,659	8,348	7,879
NON-INTEREST EXPENSE:				
Salaries and employee benefits	5,686	4,678	15,791	13,907
Equipment expenses	276	361	797	836
Occupancy expense, net	734	685	2,119	1,889
State franchise tax	299	281	898	851
Marketing	382	282	798	641
Amortization of intangibles	286	189	659	562
FDIC insurance premiums	91	108	289	320
Contracted services	387	307	1,093	930
Other real estate owned	1	3	4	8
Merger-related expenses	346	—	1,959	—

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Other non-interest expense	1,829	1,778	6,170	5,307
TOTAL NON-INTEREST EXPENSE	10,317	8,672	30,577	25,251
INCOME BEFORE INCOME TAXES	5,048	4,146	11,468	12,610
PROVISION FOR INCOME TAXES	847	1,040	1,816	3,255
NET INCOME	\$4,201	\$ 3,106	\$9,652	\$ 9,355
Dividends declared per common share	\$0.16	\$ 0.16	\$0.48	\$ 0.48
Earnings per common share:				
Basic	\$0.32	\$ 0.31	\$0.84	\$ 0.93
Diluted	0.32	0.31	0.84	0.93
Weighted average common shares outstanding:				
Basic	13,285,203	10,008,807	11,480,390	10,002,812
Diluted	13,290,665	10,015,204	11,486,051	10,009,942

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

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

	Three Months Ended September 30, 2018		2017		Nine Months Ended September 30, 2018		2017	
Net income	\$4,201	\$3,106	\$9,652	\$9,355				
Other comprehensive income (loss):								
Net unrealized gain (loss) on available-for-sale securities (net of taxes of \$(281) and \$127 for the three months ended September 30, 2018 and 2017, respectively, and \$(1,218) and \$1,021 for the nine months ended September 30, 2018 and 2017, respectively)	(1,058)	) 240	(4,581)	) 1,974				
Reclassification adjustment for net realized (gain) loss on sale of available-for-sale securities included in net income (net of taxes of \$(2) and \$27 for the three months ended September 30, 2018 and 2017, respectively, and \$(2) and \$75 for the nine months ended September 30, 2018 and 2017, respectively)	5	(51)	) 6	(143))			
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost (net of taxes of \$1 and \$0 for the three months ended September 30, 2018 and 2017, respectively, and \$3 and \$0 for the nine months ended September 30, 2018 and 2017, respectively)	3	—	9	—				
Other comprehensive income (loss), net of tax	(1,050)	) 189	(4,566)	) 1,831				
TOTAL COMPREHENSIVE INCOME	\$3,151	\$3,295	\$5,086	\$11,186				

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

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LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share data)
(Unaudited)

	Common Shares Outstanding	Common Stock	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
For the Three Months Ended September 30, 2018						
Balance at June 30, 2018	13,299,235	\$ 140,870	\$ 89,544	\$(11,665)	\$ (6,383)	) \$ 212,366
Net income			\$ 4,201			) 4,201
Other comprehensive loss, net of taxes					(1,050)	) (1,050)
Dividend Reinvestment and Stock Purchase Plan	5,741	108				) 108
Compensation expense relating to restricted stock	—	18				) 18
Common stock dividends, \$0.16 per share			(2,128)			) (2,128)
Balance at September 30, 2018	13,304,976	\$ 140,996	\$ 91,617	\$(11,665)	\$ (7,433)	) \$ 213,515
For the Nine Months Ended September 30, 2018						
Balance at December 31, 2017	10,023,059	\$ 76,977	\$ 87,301	\$(11,665)	\$ (2,342)	) \$ 150,271
Cumulative effect of changes in accounting principles (1)			525		(525)) —
Balance at December 31, 2017, as adjusted	10,023,059	76,977	87,826	(11,665)	(2,867)	) 150,271
Net income			9,652			) 9,652
Other comprehensive loss, net of taxes					(4,566)	) (4,566)
Dividend Reinvestment and Stock Purchase Plan	15,592	299				) 299
Stock issued for acquisition of Columbus First Bancorp, Inc.	3,253,060	63,598				) 63,598
Exercise of stock options	2,631	33				) 33
Compensation expense relating to restricted stock	10,634	89				) 89
Common stock dividends, \$0.48 per share			(5,861)			) (5,861)
Balance at September 30, 2018	13,304,976)