

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018		
	2017	2018	2017	2018	
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	

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Merger-related expenses	346	—	1,959	—
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		