LCNB Corp.
P.O. Box 59
2 N. Broadway St.
Lebanon, OH 45036
800.344.2265 | lcnb.com

Release Date: January 29, 2020

Fourth Quarter 2019 CUSIP 50181P100 NASDAQ: LCNB

LCNB CORP. REPORTS FINANCIAL RESULTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2019

LEBANON, Ohio--LCNB Corp. ("LCNB") (NASDAQ: LCNB) today announced net income of $4,830,000 (total basic and diluted earnings per share of $0.37) and $18,912,000 (total basic and diluted earnings per share of $1.44) for the three and twelve months ended December 31, 2019, respectively. This compares to net income of $5,193,000 (total basic and diluted earnings per share of $0.40) and $14,845,000 (total basic and diluted earnings per share of $1.24) for the same three and twelve month periods in 2018.

Commenting on the financial results, LCNB Chief Executive Officer Eric Meilstrup said, "We are pleased to report strong earnings for the three and twelve months ended December 31, 2019. Return on average assets for 2019 was 1.15% and return on average equity was 8.42%, compared to respective ratios of 1.00% and 7.90% for 2018. Net income during 2019 was $4,067,000 greater than during 2018, fueled by a $6,237,000 increase in net interest income that resulted primarily from a $44.8 million, or 3.7%, increase in our net loan portfolio during 2019. Part of the increase in net interest income was also due to a full year of net earnings on loans, deposits, and borrowings obtained through our merger with Columbus First Bancorp, Inc. and its wholly-owned subsidiary, Columbus First Bank (collectively "CFB") on May 31, 2018. Positive earnings growth allowed for increased shareholder dividends, from $0.65 per share for 2018 to $0.69 per share for 2019."

Net interest income for the three and twelve months ended December 31, 2019 was, respectively, $337,000 and $6,237,000 greater than the comparable periods in 2018, due to growth in the average balance of LCNB's loan portfolio and to an increase in the average rate earned on that portfolio, partially offset by a decrease in average investment securities and increases in average deposits and long-term borrowings and increases in the average rates paid for the deposits and borrowings. Loans, deposits, and long-term borrowings obtained through the merger with CFB were considerable components of the growth in the average balance of LCNB's loan portfolio and the increases in the average balances of deposits and long-term borrowings.

The provision for loan losses for the three and twelve months ended December 31, 2019 was, respectively, $33,000 greater and $716,000 less than the comparable periods in 2018. Non-accrual loans and loans past due 90 days or more and still accruing interest increased $110,000, from $3,100,000 or 0.26% of total loans at December 31, 2018 to $3,210,000 or 0.26% of total loans at December 31, 2019.

Non-interest income for the three and twelve months ended December 31, 2019 was, respectively, $520,000 and $1,298,000 greater than the comparable periods in 2018, primarily due to increases in fiduciary income, service charges and fees on deposit accounts, and bank owned life insurance income. Also contributing to the increase were market-driven increases in the fair value of equity security investments, which were recorded in other operating income in the consolidated statements of income.

Non-interest expense for the three and twelve months ended December 31, 2019 was, respectively, $1,082,000 and $3,020,000 greater than the comparable periods in 2018, primarily due to increases in salaries and employee benefits and state financial institutions tax. Increases in marketing and contracted services expenses also contributed to the increase for the twelve-month period. Salaries and employee benefits increased primarily due to salary and wage increases and newly hired employees, including additional business development positions and CFB employees retained. An increase in health insurance costs also contributed to the increase in salaries and employee benefits. State financial institutions tax expense increased due to a larger capital base (Ohio financial institutions tax is based on capital, not income), largely caused by stock issued to CFB stockholders as merger consideration. Marketing expense increased primarily due to promotion costs for new checking products introduced in 2018, increased marketing activities in the Columbus area, and expanded use of broadcast and digital media. Contracted services increased due to additional fees paid for loan and deposit system upgrades and improvements and to general price increases on other contracted services. A decrease in merger related expenses and the absence of losses recognized on the sale of two of LCNB's office buildings during 2018 partially offset these increases.

LCNB Corp. is a financial holding company headquartered in Lebanon, Ohio. Through its subsidiary, LCNB National Bank (the "Bank"), it serves customers and communities in Southwest and South Central Ohio. A financial institution with a long tradition for building strong relationships with customers and communities, the Bank offers convenient banking locations in Butler, Clermont, Clinton, Fayette, Franklin, Hamilton, Montgomery, Preble, Ross, and Warren Counties, Ohio. The Bank continually strives to exceed customer expectations and provides an array of services for all personal and business banking needs including checking, savings, online banking, personal lending, business lending, agricultural lending, business support, deposit and treasury, investment services, trust and IRAs and stock purchases. LCNB Corp. common shares are traded on the NASDAQ Capital Market Exchange® under the symbol "LCNB." Learn more about LCNB Corp. at www.lcnb.com.

Certain statements made in this news release regarding LCNB's financial condition, results of operations, plans, objectives, future performance and business, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by the fact they are not historical facts and include words such as "anticipate", "could", "may", "feel", "expect", "believe", "plan", and similar expressions. Please refer to LCNB's Annual Report on Form 10-K for the year ended December 31, 2018, as well as its other filings with the SEC, for a more detailed discussion of risks, uncertainties and factors that could cause actual results to differ from those discussed in the forward-looking statements.

These forward-looking statements reflect management's current expectations based on all information available to management and its knowledge of LCNB's business and operations. Additionally, LCNB's financial condition, results of operations, plans, objectives, future performance and business are subject to risks and uncertainties that may cause actual results to differ materially. These factors include, but are not limited to:

1. *the success, impact, and timing of the implementation of LCNB's business strategies;*
2. *LCNB's ability to integrate recent and any future acquisitions may be unsuccessful, or may be more difficult, time-consuming or costly than expected;*
3. *LCNB may incur increased charge-offs in the future;*
4. *LCNB may face competitive loss of customers;*
5. *changes in the interest rate environment may have results on LCNB's operations materially different from those anticipated by LCNB's market risk management functions;*
6. *changes in general economic conditions and increased competition could adversely affect LCNB's operating results;*
7. *changes in other regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact LCNB's operating results;*
8. *LCNB may experience difficulties growing loan and deposit balances;*
9. *United States trade relations with foreign countries could negatively impact the financial condition of LCNB's customers, which could adversely affect LCNB 's operating results and financial condition;*
10. *deterioration in the financial condition of the U.S. banking system may impact the valuations of investments LCNB has made in the securities of other financial institutions resulting in either actual losses or other than temporary impairments on such investments;*
11. *difficulties with technology or data security breaches, including cyberattacks, that could negatively affect LCNB's ability to conduct business and its relationships with customers, vendors, and others; and*
12. *government intervention in the U.S. financial system, including the effects of legislative, tax, accounting and regulatory actions and reforms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau, the capital ratios of Basel III as adopted by the federal banking authorities, and the Tax Cuts and Jobs Act.*

Forward-looking statements made herein reflect management's expectations as of the date such statements are made. Such information is provided to assist shareholders and potential investors in understanding current and anticipated financial operations of LCNB and is included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. LCNB undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date such statements are made.

Transfer Agent and Registrar:
Computershare, Inc.
Transfer Agent Address:
P.O. Box 434078 Providence, RI 02940
Transfer Agent Telephone:
800.942.5909

LCNB Corp. and Subsidiaries Financial Highlights

Dollars in thousands, except per share amounts

(Unaudited)

	Three Months Ended					Year Ended	
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	12/31/2019	12/31/2018
Condensed Income Statement							
Interest income	$ 16,424	16,329	16,328	16,113	15,844	65,194	54,594
Interest expense	2,577	2,751	2,738	2,722	2,334	10,788	6,425
Net interest income	13,847	13,578	13,590	13,391	13,510	54,406	48,169
Provision (credit) for loan losses	(6)	264	54	(105)	(39)	207	923
Net interest income after provision	13,853	13,314	13,536	13,496	13,549	54,199	47,246
Non-interest income	3,222	3,356	2,998	2,772	2,702	12,348	11,050
Non-interest expense	11,007	10,982	10,833	10,700	9,925	43,522	40,502
Income before income taxes	6,068	5,688	5,701	5,568	6,326	23,025	17,794
Provision for income taxes	1,238	961	973	941	1,133	4,113	2,949
Net income	$ 4,830	4,727	4,728	4,627	5,193	18,912	14,845
Amort/Accret income on acquired loans	$ 400	302	355	224	229	1,281	567
Amort/Accret expenses on acquired interest-bearing liabilities	$ 3	4	142	144	149	293	363
Tax-equivalent net interest income	$ 13,937	13,679	13,700	13,536	13,680	54,852	48,883
Per Share Data							
Dividends per share	$ 0.18	0.17	0.17	0.17	0.17	0.69	0.65
Basic earnings per common share	$ 0.37	0.36	0.36	0.35	0.40	1.44	1.24
Diluted earnings per common share	$ 0.37	0.36	0.36	0.35	0.40	1.44	1.24
Book value per share	$ 17.63	17.44	17.18	16.83	16.47	17.63	16.47
Tangible book value per share	$ 12.78	12.57	12.31	12.05	11.67	12.78	11.67
Weighted avg common shares outstanding:							
Basic	12,912,106	12,932,950	13,192,691	13,283,634	13,285,386	13,078,920	11,935,350
Diluted	12,916,000	12,937,145	13,196,665	13,287,338	13,290,499	13,082,893	11,942,253
Shares outstanding at period end	12,936,783	12,927,463	12,978,554	13,314,148	13,295,276	12,936,783	13,295,276
Selected Financial Ratios							
Return on average assets	1.17 %	1.13 %	1.16 %	1.15 %	1.27 %	1.15 %	1.00 %
Return on average equity	8.42 %	8.33 %	8.46 %	8.47 %	9.55 %	8.42 %	7.90 %
Dividend payout ratio	48.65 %	47.22 %	47.22 %	48.57 %	42.50 %	47.92 %	52.42 %
Net interest margin (tax equivalent)	3.76 %	3.67 %	3.72 %	3.71 %	3.69 %	3.71 %	3.63 %
Efficiency ratio (tax equivalent)	64.15 %	64.47 %	64.87 %	65.61 %	60.58 %	64.76 %	67.58 %
Selected Balance Sheet Items							
Cash and cash equivalents	$ 20,765	22,826	23,185	19,527	20,040		
Debt and equity securities	219,791	239,730	246,701	264,559	282,813		
Loans:							
Commercial and industrial	$ 78,306	71,576	79,513	79,725	77,740		
Commercial, secured by real estate	804,953	797,842	793,863	764,424	740,647		
Residential real estate	322,533	320,703	326,029	334,227	349,127		
Consumer	25,232	23,918	19,649	17,409	17,283		
Agricultural	11,509	11,525	10,843	10,900	13,297		
Other, including deposit overdrafts	1,193	456	373	409	450		
Deferred net origination costs (fees)	(275)	(128)	(9)	40	79		
Loans, gross	1,243,451	1,225,892	1,230,261	1,207,134	1,198,623		
Less allowance for loan losses	4,045	4,167	4,112	4,126	4,046		
Loans, net	$ 1,239,406	1,221,725	1,226,149	1,203,008	1,194,577		
Total earning assets	$ 1,466,988	1,470,074	1,482,913	1,476,862	1,483,166		
Total assets	1,639,308	1,644,447	1,642,012	1,632,387	1,636,927		
Total deposits	1,348,280	1,355,383	1,357,959	1,347,857	1,300,919		

LCNB Corp. and Subsidiaries Financial Highlights (continued)

Dollars in thousands, except per share amounts

(Unaudited)

	Three Months Ended					Year Ended	
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	12/31/2019	12/31/2018
Selected Balance Sheet Items, continued							
Short-term borrowings	—	—	—	—	56,230		
Long-term debt	40,994	41,990	41,986	42,982	47,032		
Total shareholders' equity	228,048	225,492	222,972	224,018	218,985		
Equity to assets ratio	13.91 %	13.71 %	13.58 %	13.72 %	13.38 %		
Loans to deposits ratio	92.22 %	90.45 %	90.60 %	89.56 %	92.14 %		
Tangible common equity (TCE)	$ 165,304	162,485	159,702	160,488	155,197		
Tangible common assets (TCA)	1,576,564	1,581,440	1,578,742	1,568,857	1,573,139		
TCE/TCA	10.49 %	10.27 %	10.12 %	10.23 %	9.87 %		
Selected Average Balance Sheet Items							
Cash and cash equivalents	$ 26,501	28,293	29,523	25,080	20,685	27,321	23,910
Debt and equity securities	231,115	243,553	249,954	266,081	291,433	247,569	303,839
Loans	$ 1,230,845	1,227,806	1,217,726	1,208,809	1,177,061	1,221,375	1,038,159
Less allowance for loan losses	4,076	3,986	4,088	4,074	4,016	4,056	3,822
Net loans	$ 1,226,769	1,223,820	1,213,638	1,204,735	1,173,045	1,217,319	1,034,337
Total earning assets	$ 1,469,469	1,480,096	1,479,225	1,480,634	1,471,650	1,477,333	1,347,162
Total assets	1,643,793	1,654,034	1,637,645	1,635,416	1,626,029	1,642,591	1,488,941
Total deposits	1,352,101	1,365,702	1,352,449	1,333,529	1,333,673	1,351,036	1,258,075
Short-term borrowings	622	468	243	23,235	36,348	6,064	13,967
Long-term debt	41,742	41,988	42,567	44,676	25,536	42,733	16,789
Total shareholders' equity	227,595	225,216	224,203	221,470	215,739	224,639	187,915
Equity to assets ratio	13.85 %	13.62 %	13.69 %	13.54 %	13.27 %	13.68 %	12.62 %
Loans to deposits ratio	91.03 %	89.90 %	90.04 %	90.65 %	88.26 %	90.40 %	82.52 %
Asset Quality							
Net charge-offs (recoveries)	$ 115	209	68	(185)	(68)	207	280
Other real estate owned	197	197	197	244	244	197	244
Non-accrual loans	3,210	3,523	2,962	2,845	2,951	3,210	2,951
Loans past due 90 days or more and still	—	—	24	177	149	—	149
Total nonperforming loans	$ 3,210	3,523	2,986	3,022	3,100	3,210	3,100
Net charge-offs (recoveries) to average loans	0.04 %	0.07 %	0.02 %	(0.06)%	(0.02)%	0.02 %	0.03 %
Allowance for loan losses to total loans	0.33 %	0.34 %	0.33 %	0.34 %	0.34 %	0.33 %	0.34 %
Nonperforming loans to total loans	0.26 %	0.29 %	0.24 %	0.25 %	0.26 %	0.26 %	0.26 %
Nonperforming assets to total assets	0.21 %	0.23 %	0.19 %	0.20 %	0.20 %	0.21 %	0.20 %
Assets Under Management							
LCNB Corp. total assets	$ 1,639,308	1,644,447	1,642,012	1,632,387	1,636,927		
Trust and investments (fair value)	435,664	411,724	382,462	367,649	337,549		
Mortgage loans serviced	93,596	90,784	88,444	89,049	97,685		
Cash management	75,948	117,530	71,973	55,981	48,906		
Brokerage accounts (fair value)	268,059	262,038	260,202	245,758	233,751		
Total assets managed	$ 2,512,575	2,526,523	2,445,093	2,390,824	2,354,818		
Non-GAAP Financial Measures							
Net income	$ 4,830	4,727	4,728	4,627	5,193	18,912	14,845
Add: merger-related expenses, net of tax	0	21	16	53	148	90	1,753
Adjusted net income	$ 4,830	4,748	4,744	4,680	5,341	19,002	16,598
Basic adjusted earnings per share	0.37	0.37	0.36	0.36	0.41	1.46	1.39
Diluted adjusted earnings per share	0.37	0.37	0.36	0.36	0.41	1.46	1.39
Adjusted return on average assets	1.17 %	1.14 %	1.16 %	1.16 %	1.30 %	1.16 %	1.11 %
Adjusted return on average equity	8.42 %	8.36 %	8.49 %	8.57 %	9.82 %	8.46 %	8.83 %