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.

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

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,		Nine Months Ended 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	—

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,		Nine Months Ended September 30,	
	2018	2017	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	$140,996	$91,617	$(11,665)	$ (7,433)	$ 213,515
For the Three Months Ended September 30, 2017						
Balance at June 30, 2017	10,014,004	$76,785	$83,782	$(11,665)	$ (975)	$ 147,927
Net income			3,106			3,106
Other comprehensive income, net of taxes					189	189
Dividend Reinvestment and Stock Purchase Plan	4,503	86				86
Compensation expense relating to restricted stock	—	6				6
Common stock dividends, $0.16 per share			(1,601)			(1,601)
Balance at September 30, 2017	10,018,507	$76,877	$85,287	$(11,665)	$ (786)	$ 149,713

For the Nine Months Ended September 30, 2017						
Balance at December 31, 2016	9,998,025	$76,490	$80,736	$(11,665)	$ (2,617)	$ 142,944
Net income			9,355			9,355
Other comprehensive income, net of taxes					1,831	1,831
Dividend Reinvestment and Stock Purchase Plan	13,057	266				266
Exercise of stock options	3,398	51				51
Compensation expense relating to stock options		1				1
Compensation expense relating to restricted stock	4,027	69				69
Common stock dividends, $0.48 per share			(4,804)			(4,804)
Balance at September 30, 2017	10,018,507	$76,877	$85,287	$(11,665)	$ (786)	$ 149,713

(1) Represents the impact of adopting Accounting Standards Update No. 2018-02 and No. 2016-01. See Note 1 of the consolidated condensed financial statements for more information.
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 CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$9,652	$9,355
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation, amortization, and accretion	3,226	2,732
Provision for loan losses	962	225
Deferred income tax provision (benefit)	(111)	—
Increase in cash surrender value of bank owned life insurance	(553)	(569)
Bank owned life insurance mortality benefits in excess of cash surrender value	—	(107)
Realized gain from equity securities	(12)	—
Realized (gain) loss from sales of debt securities available-for-sale	8	(218)
Realized loss from sales of premises and equipment	41	121
Impairment charge recognized on premises and equipment	645	—
Realized loss from sales and impairment of other real estate owned and repossessed assets	—	3
Origination of mortgage loans for sale	(6,478)	(6,012)
Realized gains from sales of loans	(182)	(136)
Proceeds from sales of mortgage loans	6,576	6,076
Compensation expense related to stock options	—	1
Compensation expense related to restricted stock	89	69
Changes in:		
Accrued income receivable	(1,231)	(1,210)
Other assets	(1,436)	514
Other liabilities	186	1,708
TOTAL ADJUSTMENTS	1,730	3,197
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	11,382	12,552
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of equity securities	73	—
Proceeds from sales of debt securities available-for-sale	8,545	26,407
Proceeds from maturities and calls of debt securities, available-for-sale	12,237	12,486
Proceeds from maturities and calls of debt securities, held-to-maturity	3,377	9,518
Purchases of equity securities	(1,100)	—
Purchases of debt securities, available-for-sale	—	(27,002)
Purchases of debt securities, held-to-maturity	(2,485)	(5,375)
Proceeds from maturities of interest-bearing time deposits	3,477	—
Purchase of Federal Reserve Bank stock	(1,921)	—
Net increase (decrease) in loans	(29,653)	(15,402)
Proceeds from bank owned life insurance mortality benefits	—	189
Proceeds from sale of other real estate owned and repossessed assets	—	971
Purchases of premises and equipment	(497)	(6,082)
Proceeds from sale of premises and equipment	19	220

Net cash received from acquisition of Columbus First Bancorp, Inc.	12,896	—
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,968	(4,070)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	40,772	10,618
Net decrease in short-term borrowings	(57,000)	(12,040)
Proceeds from long-term debt	6,000	—
Principal payments on long-term debt	(6,167)	(235)
Proceeds from issuance of common stock	43	27
Proceeds from exercise of stock options	33	51
Cash dividends paid on common stock	(5,605)	(4,565)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(21,924)	(6,144)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,574)	2,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,386	18,865
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$19,812	$21,203
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$4,043	$2,651
Income taxes paid	700	1,610
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Transfer from loans to other real estate owned and repossessed assets	—	974

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LCNB purchased all of the common stock of Columbus First Bancorp, Inc on May 31, 2018, In conjunction with the acquisition, liabilities were assumed as follows (in thousands):

Fair value of assets acquired	342,264
Less common stock issued	63,598
Less cash paid for the common stock	783
Liabilities assumed	277,883

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

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LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

Basis of Presentation
The accompanying unaudited interim consolidated condensed financial statements include LCNB Corp. ("LCNB") and its wholly-owned subsidiaries: LCNB National Bank (the "Bank") and LCNB Risk Management, Inc., its captive insurance company. All material intercompany transactions and balances are eliminated in consolidation.

The unaudited interim consolidated condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation of financial position, results of operations, and cash flows for the interim periods, as required by Regulation S-X, Rule 10-01.

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

Certain prior period data presented in the financial statements have been reclassified to conform with the current year presentation.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in LCNB's 2017 Annual Report on Form 10-K filed with the SEC.

Accounting Changes
ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)"
ASU No. 2014-09 was issued in May 2014 and was adopted by LCNB as of January 1, 2018. It supersedes most current revenue recognition guidance for contracts to transfer goods or services or other nonfinancial assets. Lease contracts, insurance contracts, and most financial instruments are not included in the scope of this update. ASU No. 2014-09 provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance enumerates five steps that entities should follow in achieving this core principle. Additional disclosures providing information about contracts with customers are required. Adoption did not have a material impact on LCNB's results of operations or financial position.

ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities"

ASU No. 2016-01 was issued in January 2016 and was adopted by LCNB as of January 1, 2018. It applies to all entities that hold financial assets or owe financial liabilities. It makes targeted changes to generally accepted accounting principles for public companies as follows:

1. Requires most equity investments to be measured at fair value with changes in fair value recognized in net income.
2. Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
3. Eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
4. Requires use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

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LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

Note 1 - Basis of Presentation (continued)

5. Requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
6. Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
7. Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets.

Adoption of ASU No. 2016-01 did not have a material impact on LCNB's results of operations or financial position. Upon adoption on January 1, 2018, LCNB reclassified net unrealized gain on equity securities, net of taxes, of $33,000 from accumulated other comprehensive income into retained earnings. Before adoption, equity securities were included with investment securities, available for sale in the consolidated condensed balance sheets and dividends received were included in interest on investment securities, taxable in the consolidated condensed statements of income. After adoption, equity securities are separate line items in the consolidated condensed balance sheets and the consolidated condensed statements of income. Changes in the fair value of equity securities are included in other operating income in the consolidated condensed statements of income.

ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost"
ASU No. 2017-07 was issued in March 2017 and was adopted by LCNB as of January 1, 2018. It applies to all employers that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined, are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The amendments in this update are to be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement. Adoption of ASU No. 2017-07 did not have a material impact on LCNB's results of operations or financial position.

ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting"
ASU No. 2017-09 was issued in May 2017 and was adopted by LCNB on January 1, 2018. It applies to any entity that changes the terms or conditions of a share-based payment award. The amendments in this update provide that an entity would not apply modification accounting under the guidance in Topic 718 if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The amendments are to be applied prospectively and are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Adoption of ASU No. 2017-09 did not have a material impact on LCNB's results of operations or financial position.

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LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

Note 1 - Basis of Presentation (continued)

ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"
ASU No. 2018-02 was issued in February 2018 and is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted and LCNB early adopted the ASU as of January 1, 2018. ASU No. 2018-02 addresses a narrow-scope financial reporting issue that arose as a consequence of the passage of H.R. 1, known as the “Tax Cuts and Jobs Act.” Generally Accepted Accounting Principles requires adjustment of deferred tax assets and liabilities for the effect of a change in tax laws or rates with the effect to be included in income from continuing operations in the reporting period that includes the enactment date. This guidance is applicable even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income rather than in income from continuing operations. As a consequence, the tax effects of items within accumulated other comprehensive income, referred to as stranded tax effects in the update, do not reflect the appropriate tax rate. The amendments in ASU No. 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects resulting from the Tax Cuts and Jobs Act. Because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. Upon adoption, LCNB reclassified stranded tax effects of $492,000 into retained earnings as of January 1, 2018.

Revenue Recognition
Accounting Standards Codification 606, "Revenue from Contracts with Customers" ("ASC 606") provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance enumerates five steps that entities should follow in achieving this core principle. Revenue generated from financial instruments, including loans and investment securities, are not included in the scope of ASC 606. The adoption of ASC 606 did not result in a change to the accounting for any of LCNB's revenue streams that are within the scope of the amendments. Revenue-generating activities that are within the scope of ASC 606 and that are presented as non-interest income in LCNB's consolidated statements of income include:

- Fiduciary income - this includes periodic fees due from trust and investment services customers for managing the customers' financial assets. Fees are generally charged on a quarterly or annual basis and are recognized ratably throughout the period, as the services are provided on an ongoing basis.
- Service charges and fees on deposit accounts - these include general service fees charged for deposit account maintenance and activity and transaction-based fees charged for certain services, such as debit card, wire transfer, or overdraft activities. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.

Note 2 – Acquisition

On December 20, 2017, LCNB and Columbus First Bancorp, Inc. (“CFB”) entered into an Agreement and Plan of Merger (“Merger Agreement”) pursuant to which CFB merged with and into LCNB on May 31, 2018. Immediately following the merger of CFB into LCNB, Columbus First Bank, a wholly-owned subsidiary of CFB, merged into the

Bank. Columbus First Bank operated from one full-service office located in Worthington, Ohio. That office became a branch of the Bank after the merger.

Under the terms of the Merger Agreement, the shareholders of CFB received two shares of LCNB common stock for each outstanding CFB common share. Unexercised stock options of CFB were canceled in exchange for a cash payment.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

Note 2 – Acquisition (continued)

The merger with CFB was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration paid were recorded at their estimated fair values as of the merger date. The estimated fair values reported in LCNB's Form 10-Q for the quarterly period ended June 30, 2018 were preliminary, as the pricing study had not been finalized at that time. The following table summarizes the preliminary balances at June 30, 2018, revisions to the preliminary balances, and the balances at September 30, 2018 (in thousands):

	June 30, 2018	Fair Value Adjustments	September 30, 2018
Consideration Paid:			
Common shares issued (3,253,060 shares issued at $19.55 per share)	$63,598	$ —	$ 63,598
Cash paid to cancel share based payment awards	783	—	783
	64,381	—	64,381
Identifiable Assets Acquired:			
Cash and cash equivalents	13,679	—	13,679
Interest-bearing time deposits	10,350	—	10,350
Federal Home Loan Bank stock	1,207	—	1,207
Loans, net	282,748	(615)	282,133
Loans held for sale, net	1,819	—	1,819
Premises and equipment	102	—	102
Core deposit intangible	2,089	88	2,177
Other real estate owned	35	—	35
Deferred income taxes	—	352	352
Other assets	2,022	(716)	1,306
Total identifiable assets acquired	314,051	(891)	313,160
Liabilities Assumed:			
Deposits	245,036	(606)	244,430
Short-term borrowings	10,000	—	10,000
Long-term debt	22,920	23	22,943
Deferred income taxes	200	(200)	—
Other liabilities	491	19	510
Total liabilities assumed	278,647	(764)	277,883
Total Identifiable Net Assets Acquired	35,404	(127)	35,277
Goodwill resulting from merger	$28,977	$ 127	$ 29,104

As permitted by ASC No. 805-10-25, Business Combinations, the above estimated amounts may be adjusted up to one year after the closing date of the acquisition to reflect any new information obtained about facts and circumstances existing at the acquisition date. Any changes in the estimated fair values will be recognized in the period the adjustment is identified.

The amount of goodwill recorded reflects LCNB's expansion in the Columbus market and related synergies that are expected to result from the acquisition and represents the excess purchase price over the estimated fair value of the net assets acquired. The goodwill will not be amortizable on LCNB's financial records and will not be deductible for tax purposes. Goodwill will be subject to an annual test for impairment and the amount impaired, if any, will be charged to expense at the time of impairment. The core deposit intangible will be amortized over the estimated weighted average economic life of the various core deposit types.

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Note 2 – Acquisition (continued)

Direct costs related to the acquisition were expensed as incurred and are recorded as a merger-related expense in the consolidated condensed statements of income.

CFB's results of operations are included in the consolidated condensed statements of income from the date of the merger.
The amount of CFB's revenue (net interest income plus non-interest income) and net income, excluding merger-related expenses, included in LCNB's consolidated condensed statement of income for the three and nine months ended September 30, 2018 were as follows (in thousands):

	Three Months	Nine Months
Total revenue	$ 2,992	3,898
Net income	1,608	2,077

The following table presents unaudited pro forma information as if the merger with CFB had occurred on January 1, 2017 (in thousands). This pro forma information gives effect to certain adjustments, including purchase accounting fair value adjustments, amortization of the core deposit intangible, and related income tax effects. It does not include merger and data conversion costs. The pro forma information does not necessarily reflect the results of operations that would have occurred had the merger with CFB occurred in 2017. In particular, expected operational cost savings are not reflected in the pro forma amounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Total revenue	$16,024	15,808	47,978	46,978
Net income	4,478	3,852	12,514	11,762
Basic earnings per common share	0.29	0.29	0.88	0.89
Diluted earnings per common share	0.29	0.29	0.88	0.89

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Note 3 - Investment Securities

The amortized cost and estimated fair value of equity and debt securities at September 30, 2018 and December 31, 2017 are summarized as follows (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2018				
Debt Securities, Available-for-Sale:				
U.S. Treasury notes	$ 2,279	$ —	$ 95	$ 2,184
U.S. Agency notes	80,738	—	3,566	77,172
U.S. Agency mortgage-backed securities	59,734	8	2,950	56,792
Municipal securities:				
Non-taxable	93,979	45	2,340	91,684
Taxable	19,914	80	389	19,605
	$ 256,644	$ 133	$ 9,340	$ 247,437
Debt Securities, Held-to-Maturity:				
Municipal securities:				
Non-taxable	$ 27,979	$ 30	$ 827	$ 27,182
Taxable	3,700	—	225	3,475
	$ 31,679	$ 30	$ 1,052	$ 30,657
December 31, 2017				
Equity Securities with a Readily Determinable Fair Value:				
Mutual funds	$ 1,586	2	46	1,542
Trust preferred securities	49	1	—	50
Equity securities	$ 475	97	4	568
	2,110	$ 100	$ 50	$ 2,160
Debt Securities, Available-for-Sale:				
U.S. Treasury notes	$ 2,283	$ —	$ 24	$ 2,259
U.S. Agency notes	84,837	57	1,633	83,261
U.S. Agency mortgage-backed securities	68,347	33	1,227	67,153
Municipal securities:				
Non-taxable	102,849	343	1,018	102,174
Taxable	20,313	175	122	20,366
	$ 278,629	$ 608	$ 4,024	$ 275,213
Debt Securities, Held-to-Maturity:				
Municipal securities:				
Non-taxable	$ 28,871	$ 101	$ 227	$ 28,745
Taxable	3,700	—	95	3,605

	$ 32,571	$ 101	$ 322	$ 32,350

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LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
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Note 3 - Investment Securities (continued)

Information concerning debt securities with gross unrealized losses at September 30, 2018 and December 31, 2017, aggregated by length of time that individual securities have been in a continuous loss position, is as follows (dollars in thousands):

	Less than Twelve Months		Twelve Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2018				
Available-for-Sale:				
U.S. Treasury notes	$948	$ 37	$1,236	$ 58
U.S. Agency notes	9,680	203	67,492	3,363
U.S. Agency mortgage-backed securities	4,527	88	51,948	2,862
Municipal securities:				
Non-taxable	52,974	741	30,890	1,599
Taxable	8,039	165	8,962	224
	$76,168	$ 1,234	$160,528	$ 8,106
Held-to-Maturity:				
Municipal securities:				
Non-taxable	$14,331	634	6,237	193
Taxable	399	1	3,076	224
	$14,730	$ 635	$9,313	$ 417
December 31, 2017				
Available-for-Sale:				
U.S. Treasury notes	$2,259	$ 24	$—	$ —
U.S. Agency notes	33,651	344	44,560	1,289
U.S. Agency mortgage-backed securities	24,433	142	41,080	1,085
Municipal securities:				
Non-taxable	36,348	315	24,197	703
Taxable	11,068	114	1,032	8
	$107,759	$ 939	$110,869	$ 3,085
Held-to-Maturity:				
Municipal securities:				
Non-taxable	$9,824	$ 133	$3,542	$ 94
Taxable	—	—	3,205	95
	$9,824	$ 133	$6,747	$ 189

Management has determined that the unrealized losses at September 30, 2018 are primarily due to fluctuations in market interest rates and do not reflect credit quality deterioration of the securities. Because LCNB does not have the intent to sell the investments and it is more likely than not that LCNB will not be required to sell the investments before recovery of their amortized cost bases, which may be at maturity, LCNB does not consider these investments to be other-than-temporarily impaired.

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Note 3 - Investment Securities (continued)

Contractual maturities of debt securities at September 30, 2018 were as follows (in thousands). Actual maturities may differ from contractual maturities when issuers have the right to call or prepay obligations.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$15,203	$15,152	$3,240	$3,245
Due from one to five years	103,857	101,130	4,066	3,971
Due from five to ten years	75,648	72,306	8,649	8,373
Due after ten years	2,202	2,057	15,724	15,068
	196,910	190,645	31,679	30,657
U.S. Agency mortgage-backed securities	59,734	56,792	—	—
	$256,644	$247,437	$31,679	$30,657

Debt securities with a market value of $130,951,000 and $108,751,000 at September 30, 2018 and December 31, 2017, respectively, were pledged to secure public deposits and for other purposes required or as permitted by law.

Certain information concerning the sale of debt securities available for sale for the three and nine months ended September 30, 2018 and 2017 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Proceeds from sales	$5,202	$14,164	$8,545	$26,407
Gross realized gains	14	78	21	218
Gross realized losses	21	—	29	—

Realized gains or losses from the sale of securities are computed using the specific identification method.

Beginning January 1, 2018, equity securities with a readily determinable fair value are carried at fair value, with changes in fair value recognized in other operating income in the consolidated condensed statements of income. Equity securities without a readily determinable fair value are measured at cost minus impairment, if any, plus or minus any changes resulting from observable price changes in orderly transactions, as defined, for identical or similar investments of the same issuer. LCNB was not aware of any impairment or observable price change adjustments that needed to be made at September 30, 2018 on its investments in equity securities without a readily determinable fair value.

The amortized cost and estimated fair value of equity securities with a readily determinable fair value at September 30, 2018 are summarized as follows (in thousands):

	Amortized Cost	Fair Value
Mutual funds	$ 1,633	$1,547
Trust preferred securities	49	50

Equity securities	481	603
Total equity securities with a readily determinable fair value	$ 2,163	$2,200

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Note 3 - Investment Securities (continued)

Certain information concerning changes in fair value of equity securities with a readily determinable fair value for the nine months ended September 30, 2018 was as follows (in thousands):

Net gains recognized	$12
Less net realized gains on equity securities sold	25
Unrealized losses recognized and still held at period end	$(13)

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Note 4 - Loans

Major classifications of loans at September 30, 2018 and December 31, 2017 are as follows (in thousands):

	September 30, 2018	December 31, 2017
Commercial and industrial	$ 78,002	$ 36,057
Commercial, secured by real estate	704,987	527,947
Residential real estate	347,920	251,582
Consumer	17,505	17,450
Agricultural	13,280	15,194
Other loans, including deposit overdrafts	498	539
Loans, gross	1,162,192	848,769
Deferred origination costs, net	133	291
Loans, net of deferred origination costs	1,162,325	849,060
Less allowance for loan losses	4,016	3,403
Loans, net	$ 1,158,309	$ 845,657

Non-accrual, past-due, and accruing restructured loans as of September 30, 2018 and December 31, 2017 are as follows (in thousands):

	September 30, 2018	December 31, 2017
Non-accrual loans:		
Commercial and industrial	$ —	$ —
Commercial, secured by real estate	1,785	2,183
Residential real estate	627	604
Consumer	14	—
Agricultural	177	178
Total non-accrual loans	2,603	2,965
Past-due 90 days or more and still accruing	1	—
Total non-accrual and past-due 90 days or more and still accruing	2,604	2,965
Accruing restructured loans	10,307	10,469
Total	$ 12,911	$ 13,434

The allowance for loan losses for the three and nine months ended September 30, 2018 and 2017 are as follows (in thousands):

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Note 4 – Loans (continued)

	Commercial & Industrial	Commercial, Secured by Real Estate	Residential Real Estate	Consumer	Agricultural	Other	Total
Three Months Ended September 30, 2018							
Balance, beginning of period	$ 407	$ 2,383	$ 690	$ 70	$ 52	$ 1	$3,603
Provision charged to expenses	(3)	488	25	95	2	52	659
Losses charged off	—	(116)	—	(88)	—	(81)	(285)
Recoveries	—	3	—	4	—	32	39
Balance, end of period	$ 404	$ 2,758	$ 715	$ 81	$ 54	$ 4	$4,016
Nine Months Ended September 30, 2018							
Balance, beginning of year	$ 378	$ 2,178	$ 717	$ 76	$ 53	$ 1	$3,403
Provision charged to expenses	26	546	211	102	1	76	962
Losses charged off	—	(145)	(227)	(109)	—	(142)	(623)
Recoveries	—	179	14	12	—	69	274
Balance, end of period	$ 404	$ 2,758	$ 715	$ 81	$ 54	$ 4	$4,016
Three Months Ended September 30, 2017							
Balance, beginning of period	$ 273	$ 2,136	$ 822	$ 86	$ 61	$ 4	$3,382
Provision charged to expenses	8	(9)	(139)	(6)	113	21	(12)
Losses charged off	—	(118)	—	(30)	—	(37)	(185)
Recoveries	19	106	38	44	—	15	222
Balance, end of period	$ 300	$ 2,115	$ 721	$ 94	$ 174	$ 3	$3,407
Nine Months Ended September 30, 2017							
Balance, beginning of year	$ 350	$ 2,179	$ 885	$ 96	$ 60	$ 5	3,575
Provision charged to expenses	(84)	287	(137)	(3)	114	48	225
Losses charged off	—	(462)	(135)	(84)	—	(98)	(779)
Recoveries	34	111	108	85	—	48	386
Balance, end of period	$ 300	$ 2,115	$ 721	$ 94	$ 174	$ 3	$3,407

LCNB CORP. AND SUBSIDIARIES
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(Continued)

Note 4 – Loans (continued)

A breakdown of the allowance for loan losses and the loan portfolio by loan segment at September 30, 2018 and December 31, 2017 are as follows (in thousands):

	Commercial & Industrial	Commercial, Secured by Real Estate	Residential Real Estate	Consumer	Agricultural	Other	Total
September 30, 2018							
Allowance for loan losses:							
Individually evaluated for impairment	$ 10	$ 3	$ 26	$ —	$ —	$—	$39
Collectively evaluated for impairment	394	2,755	689	81	54	4	3,977
Acquired credit impaired loans	—	—	—	—	—	—	—
Balance, end of period	$ 404	$ 2,758	$ 715	$ 81	$ 54	$ 4	$4,016
Loans:							
Individually evaluated for impairment	$ 276	$ 10,529	$ 1,151	$ 50	$ 177	$—	$12,183
Collectively evaluated for impairment	76,643	686,654	343,912	17,566	13,120	119	1,138,014
Acquired credit impaired loans	1,136	7,352	3,261	—	—	379	12,128
Balance, end of period	$ 78,055	$ 704,535	$ 348,324	$ 17,616	$ 13,297	$498	$1,162,325
December 31, 2017							
Allowance for loan losses:							
Individually evaluated for impairment	$ 8	$ 146	$ 29	$ 8	$ —	$—	$191
Collectively evaluated for impairment	370	2,032	688	68	53	1	3,212
Acquired credit impaired loans	—	—	—	—	—	—	—
Balance, end of period	$ 378	$ 2,178	$ 717	$ 76	$ 53	$ 1	$3,403
Loans:							
Individually evaluated for impairment	$ 303	$ 11,289	$ 1,351	$ 47	$ 177	$—	$13,167
Collectively evaluated for impairment	34,792	512,259	248,674	17,516	15,033	137	828,411
Acquired credit impaired loans	1,008	4,048	2,024	—	—	402	7,482
Balance, end of period	$ 36,103	$ 527,596	$ 252,049	$ 17,563	$ 15,210	$539	$849,060

LCNB CORP. AND SUBSIDIARIES
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Note 4 – Loans (continued)

The risk characteristics of LCNB's material loan portfolio segments are as follows:

Commercial and Industrial Loans. LCNB’s commercial and industrial loan portfolio consists of loans for various purposes, including loans to fund working capital requirements (such as inventory and receivables financing) and purchases of machinery and equipment. LCNB offers a variety of commercial and industrial loan arrangements, including term loans, balloon loans, and lines of credit. Most commercial and industrial loans have a fixed rate, with maturities ranging from one to ten years. Commercial and industrial loans are offered to businesses and professionals for short and medium terms on both a collateralized and uncollateralized basis. Commercial and industrial loans typically are underwritten on the basis of the borrower’s ability to make repayment from the cash flow of the business. Collateral, when obtained, may include liens on furniture, fixtures, equipment, inventory, receivables, or other assets. As a result, such loans involve complexities, variables, and risks that require thorough underwriting and more robust servicing than other types of loans.

Commercial, Secured by Real Estate Loans. Commercial real estate loans include loans secured by a variety of commercial, retail, and office buildings, religious facilities, hotels, multifamily (more than four-family) residential properties, construction and land development loans, and other land loans. Commercial real estate loan products generally amortize over five to twenty-five years and are payable in monthly principal and interest installments. Some have balloon payments due within one to ten years after the origination date. The majority have adjustable interest rates with adjustment periods ranging from one to ten years, some of which are subject to established “floor” interest rates.

Commercial real estate loans are underwritten based on the ability of the property, in the case of income producing property, or the borrower’s business to generate sufficient cash flow to amortize the debt. Secondary emphasis is placed upon global debt service, collateral value, financial strength of any and all guarantors, and other factors. Commercial real estate loans are generally originated with a 75% to 85% maximum loan to appraised value ratio, depending upon borrower occupancy.

Residential Real Estate Loans. Residential real estate loans include loans secured by first or second mortgage liens on one to four-family residential properties. Home equity lines of credit and mortgage loans secured by owner-occupied agricultural property are included in this category. First and second mortgage loans are generally amortized over five to thirty years with monthly principal and interest payments. Home equity lines of credit generally have a five year or less draw period with interest only payments followed by a repayment period with monthly payments based on the amount outstanding. LCNB offers both fixed and adjustable rate mortgage loans. Adjustable rate loans are available with adjustment periods ranging between one to ten years and adjust according to an established index plus a margin, subject to certain floor and ceiling rates. Home equity lines of credit have a variable rate based on the Wall Street Journal prime rate plus a margin.

LCNB does not originate reverse mortgage loans or residential real estate loans generally considered to be “subprime.”

Residential real estate loans are underwritten primarily based on the borrower’s ability to repay, prior credit history, and the value of the collateral. LCNB generally requires private mortgage insurance for first mortgage loans that have a loan to appraised value ratio of greater than 80%.

Consumer Loans. LCNB's portfolio of consumer loans generally includes secured and unsecured loans to individuals for household, family and other personal expenditures. Secured loans include loans to fund the purchase of automobiles, recreational vehicles, boats, and similar acquisitions. Consumer loans made by LCNB generally have fixed rates and terms ranging up to 72 months, depending upon the nature of the collateral, size of the loan, and other relevant factors.

Consumer loans generally have higher interest rates, but pose additional risks of collectability and loss when compared to certain other types of loans. Collateral, if present, is generally subject to damage, wear, and depreciation. The borrower's ability to repay is of primary importance in the underwriting of consumer loans.

Agricultural Loans. LCNB's portfolio of agricultural loans includes loans for financing agricultural production or for financing the purchase of equipment used in the production of agricultural products. LCNB's agricultural loans are generally secured by farm machinery, livestock, crops, vehicles, or other agricultural-related collateral.

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Note 4 – Loans (continued)

LCNB uses a risk-rating system to quantify loan quality. A loan is assigned to a risk category based on relevant information about the ability of the borrower to service the debt including, but not limited to, current financial information, historical payment experience, credit documentation, public information, and current economic trends. The categories used are:

- Pass – loans categorized in this category are higher quality loans that do not fit any of the other categories described below.
- Other Assets Especially Mentioned ("OAEM") – loans in this category are currently protected but are potentially weak. These loans constitute a risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an undue risk in light of the circumstances surrounding a specific asset.
- Substandard – loans in this category are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the possibility that LCNB will sustain some loss if the deficiencies are not corrected.
- Doubtful – loans classified in this category have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

A breakdown of the loan portfolio by credit quality indicators at September 30, 2018 and December 31, 2017 is as follows (in thousands):

	Pass	OAEM	Substandard	Doubtful	Total
September 30, 2018					
Commercial & industrial	$74,748	$1,417	$ 1,890	$ —	$78,055
Commercial, secured by real estate	683,230	1,549	19,756	—	704,535
Residential real estate	345,478	—	2,846	—	348,324
Consumer	17,567	—	49	—	17,616
Agricultural	13,120	—	177	—	13,297
Other	498	—	—	—	498
Total	$1,134,641	$2,966	$ 24,718	$ —	$1,162,325
December 31, 2017					
Commercial & industrial	$35,683	$176	$ 244	$ —	$36,103
Commercial, secured by real estate	506,833	2,180	18,583	—	527,596
Residential real estate	250,039	—	2,010	—	252,049
Consumer	17,522	—	41	—	17,563
Agricultural	14,233	—	977	—	15,210
Other	539	—	—	—	539
Total	$824,849	$2,356	$ 21,855	$ —	$849,060

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Note 4 – Loans (continued)

A loan portfolio aging analysis at September 30, 2018 and December 31, 2017 is as follows (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans Greater Than 90 Days and Accruing
September 30, 2018							
Commercial & industrial	$1	$—	$—	$1	$78,054	$78,055	$ —
Commercial, secured by real estate	569	139	309	1,017	703,518	704,535	—
Residential real estate	878	303	354	1,535	346,789	348,324	—
Consumer	9	10	15	34	17,582	17,616	1
Agricultural	—	—	177	177	13,120	13,297	—
Other	69	—	—	69	429	498	—
Total	$1,526	$452	$855	$2,833	$1,159,492	$1,162,325	$ 1
December 31, 2017							
Commercial & industrial	$—	$—	$—	$—	$36,103	$36,103	$ —
Commercial, secured by real estate	124	—	598	722	526,874	527,596	—
Residential real estate	362	135	496	993	251,056	252,049	—
Consumer	29	2	—	31	17,532	17,563	—
Agricultural	—	—	177	177	15,033	15,210	—
Other	82	—	—	82	457	539	—
Total	$597	$137	$1,271	$2,005	$847,055	$849,060	$ —

Impaired loans, including acquired credit impaired loans, at September 30, 2018 and December 31, 2017 are as follows (in thousands):

	September 30, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial & industrial	$1,141	$ 1,667	$ —	$1,015	$ 1,100	$ —
Commercial, secured by real estate	17,730	19,082	—	12,677	13,608	—
Residential real estate	3,854	4,621	—	2,822	3,516	—
Consumer	28	28	—	6	6	—
Agricultural	177	177	—	177	177	—
Other	379					