

LCNB CORP
Form 10-Q
August 08, 2017

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 June 30, 2017

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

(State or other jurisdiction of incorporation or organization)

31-1626393

(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 August 7, 2017 was 10,008,122 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)

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS:		
Cash and due from banks	\$19,399	\$ 18,378
Interest-bearing demand deposits	10,568	487
Total cash and cash equivalents	29,967	18,865
Investment securities:		
Available-for-sale, at fair value	328,788	320,659
Held-to-maturity, at cost	38,437	41,003
Federal Reserve Bank stock, at cost	2,732	2,732
Federal Home Loan Bank stock, at cost	3,638	3,638
Loans, net	823,551	816,228
Premises and equipment, net	34,980	30,244
Goodwill	30,183	30,183
Core deposit and other intangibles	4,202	4,582
Bank owned life insurance	27,604	27,307
Other assets	11,489	11,358
TOTAL ASSETS	\$1,335,571	\$ 1,306,799
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$275,346	\$ 271,332
Interest-bearing	868,574	839,573
Total deposits	1,143,920	1,110,905
Short-term borrowings	31,712	42,040
Long-term debt	402	598
Accrued interest and other liabilities	11,610	10,312
TOTAL LIABILITIES	1,187,644	1,163,855
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 10,767,631 and 10,751,652 shares at June 30, 2017 and December 31, 2016, respectively	76,785	76,490
Retained earnings	83,782	80,736
Treasury shares at cost, 753,627 shares at June 30, 2017 and December 31, 2016	(11,665)	(11,665)
Accumulated other comprehensive income (loss), net of taxes	(975)	(2,617)

TOTAL SHAREHOLDERS' EQUITY	147,927	142,944
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,335,571	\$ 1,306,799

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

The consolidated condensed balance sheet as of December 31, 2016 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
INTEREST INCOME:				
Interest and fees on loans	\$8,823	\$ 8,892	\$17,738	\$ 17,519
Interest on investment securities:				
Taxable	1,149	1,187	2,242	2,376
Non-taxable	795	794	1,594	1,552
Other investments	167	135	224	182
TOTAL INTEREST INCOME	10,934	11,008	21,798	21,629
INTEREST EXPENSE:				
Interest on deposits	846	870	1,689	1,693
Interest on short-term borrowings	12	8	42	22
Interest on long-term debt	3	5	7	17
TOTAL INTEREST EXPENSE	861	883	1,738	1,732
NET INTEREST INCOME	10,073	10,125	20,060	19,897
PROVISION FOR LOAN LOSSES	222	396	237	486
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,851	9,729	19,823	19,411
NON-INTEREST INCOME:				
Trust income	881	837	1,733	1,600
Service charges and fees on deposit accounts	1,312	1,243	2,534	2,436
Net gain on sales of securities	140	279	140	650
Bank owned life insurance income	297	191	486	360
Gains from sales of loans	63	61	102	102
Other operating income	97	139	225	244
TOTAL NON-INTEREST INCOME	2,790	2,750	5,220	5,392
NON-INTEREST EXPENSE:				
Salaries and employee benefits	4,703	4,532	9,229	9,095
Equipment expenses	264	239	475	488
Occupancy expense, net	636	588	1,204	1,157
State franchise tax	286	276	570	557
Marketing	216	201	359	368
Amortization of intangibles	188	188	373	375
FDIC insurance premiums	108	162	212	327
Contracted services	375	223	623	450
Other real estate owned	—	356	5	385
Other non-interest expense	1,835	1,703	3,529	3,558
TOTAL NON-INTEREST EXPENSE	8,611	8,468	16,579	16,760
INCOME BEFORE INCOME TAXES	4,030	4,011	8,464	8,043
PROVISION FOR INCOME TAXES	1,027	1,043	2,215	2,111
NET INCOME	\$3,003	\$ 2,968	\$6,249	\$ 5,932

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Dividends declared per common share	\$0.16	\$ 0.16	\$0.32	\$ 0.32
Earnings per common share:				
Basic	\$0.30	\$ 0.30	\$0.62	\$ 0.60
Diluted	0.30	0.29	0.62	0.59
Weighted average common shares outstanding:				
Basic	10,004,422	10,222,024	9,999,765	9,919,070
Diluted	10,011,311	9,940,323	10,007,192	9,969,302

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
(In thousands)
(Unaudited)

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net income	\$3,003	\$2,968	\$6,249	\$5,932
Other comprehensive income:				