

LCNB CORP
Form 10-Q
August 08, 2012

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, 2012

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 000-26121

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,

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or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="radio"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="radio"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>

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 6, 2012 was 6,720,907 shares.

LCNB CORP. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS:		
Cash and due from banks	\$ 16,928	12,449
Interest-bearing demand deposits	9,968	7,086
Total cash and cash equivalents	26,896	19,535
Investment securities:		
Available-for-sale, at fair value	285,141	254,006
Held-to-maturity, at cost	11,474	10,734
Federal Reserve Bank stock, at cost	949	940
Federal Home Loan Bank stock, at cost	2,091	2,091
Loans, net	458,629	458,331
Premises and equipment, net	16,953	17,346
Goodwill	5,915	5,915
Bank owned life insurance	15,125	14,837
Other assets	8,402	7,835
TOTAL ASSETS	\$ 831,575	791,570
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 117,813	106,793
Interest-bearing	592,843	556,769
Total deposits	710,656	663,562
Short-term borrowings	13,142	21,596
Long-term debt	20,391	21,373
Accrued interest and other liabilities	6,921	7,079
TOTAL LIABILITIES	751,110	713,610
SHAREHOLDERS' EQUITY:		
Preferred shares – no par value, authorized 1,000,000 shares, none outstanding	-	-
Common shares – no par value, authorized 12,000,000 shares, issued 7,474,269 and 7,460,494 shares at June 30, 2012 and December 31, 2011, respectively	26,952	26,753
Retained earnings	59,989	57,877
Treasury shares at cost, 753,627 and 755,771 shares at June 30, 2012 and December 31, 2011, respectively	(11,665)	(11,698)
Accumulated other comprehensive income, net of taxes	5,189	5,028
TOTAL SHAREHOLDERS' EQUITY	80,465	77,960
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 831,575	791,570

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
INTEREST INCOME:				
Interest and fees on loans	\$ 5,920	6,477	12,128	12,995
Interest on investment securities –				
Taxable	982	914	1,869	1,790
Non-taxable	610	640	1,216	1,347
Other short-term investments	59	68	89	97
TOTAL INTEREST INCOME	7,571	8,099	15,302	16,229
INTEREST EXPENSE:				
Interest on deposits	1,117	1,499	2,282	3,083
Interest on short-term borrowings	5	7	8	17
Interest on long-term debt	150	161	304	339
TOTAL INTEREST EXPENSE	1,272	1,667	2,594	3,439
NET INTEREST INCOME	6,299	6,432	12,708	12,790
PROVISION FOR LOAN LOSSES	91	224	306	888
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,208	6,208	12,402	11,902
NON-INTEREST INCOME:				
Trust income	473	536	1,239	1,019
Service charges and fees on deposit accounts	909	952	1,787	1,853
Net gain on sales of securities	79	124	459	419
Bank owned life insurance income	139	148	287	294
Gains from sales of mortgage loans	102	24	209	57
Other operating income	53	51	110	108
TOTAL NON-INTEREST INCOME	1,755	1,835	4,091	3,750
NON-INTEREST EXPENSE:				
Salaries and employee benefits	2,963	2,955	5,945	6,007
Equipment expenses	264	240	526	457
Occupancy expense, net	390	407	797	862
State franchise tax	196	196	402	392
Marketing	169	110	280	225
FDIC insurance premiums	104	188	215	468
Other non-interest expense	1,244	1,211	2,613	2,681
TOTAL NON-INTEREST EXPENSE	5,330	5,307	10,778	11,092
INCOME BEFORE INCOME TAXES	2,633	2,736	5,715	4,560
PROVISION FOR INCOME TAXES	646	713	1,451	1,059
	1,987	2,023	4,264	3,501

INCOME FROM CONTINUING
OPERATIONS

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	-	(31)	-	793
NET INCOME	\$ 1,987	1,992	4,264	4,294
Dividends declared per common share	\$ 0.16	0.16	0.32	0.32
Basic earnings per common share:				
Continuing operations	\$ 0.30	0.30	0.64	0.52
Discontinued operations	-	-	-	0.12
Diluted earnings per common share:				
Continuing operations	\$ 0.29	0.30	0.63	0.52
Discontinued operations	-	-	-	0.12
Weighted average common shares outstanding:				
Basic	6,713,847	6,689,743	6,710,062	6,689,743
Diluted	6,789,776	6,746,791	6,781,614	6,744,375

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Income	\$ 1,987	1,992	4,264	4,294
Other comprehensive income:				
Net unrealized gain on available-for-sale securities (net of taxes of \$490 and \$926 for the three months ended June 30, 2012 and 2011, respectively, and \$231 and \$696 for the six months ended June 30, 2012 and 2011, respectively)	954	1,798	449	1,351
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income (net of taxes of \$26 and \$42 for the three months ended June 30, 2012 and 2011, respectively, and \$155 and \$143 for the six months ended June 30, 2012 and 2011, respectively)	(53)	(82)	(304)	(276)
Change in nonqualified pension plan unrecognized net gain (loss) and unrecognized prior service cost (net of taxes of \$3 and \$1 for the three months ended June 30, 2012 and 2011, respectively, and \$8 and \$2 for the six months ended June 30, 2012 and 2011, respectively)	9	(1)	16	4
Nonqualified pension plan curtailment (net of taxes of \$80)	-	-	-	155
TOTAL COMPREHENSIVE INCOME	\$ 2,897	3,707	4,425	5,528

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

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

	Common Shares Outstanding	Common Stock	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance December 31, 2010	6,689,743	\$26,515	54,045	(11,698)	1,845	70,707
Net income			4,294			4,294
Net unrealized gain (loss) on available-for-sale securities, net of taxes					1,351	1,351
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income, net of taxes					(276)	(276)
Change in nonqualified pension plan unrecognized net gain (loss) and unrecognized prior service cost, net of taxes					4	4
Nonqualified pension plan curtailment entry, net of taxes					155	155
Compensation expense relating to stock options		22				22
Common stock dividends, \$0.32 per share			(2,141)			(2,141)
Balance June 30, 2011	6,689,743	\$26,537	56,198	(11,698)	3,079	74,116
Balance December 31, 2011	6,704,723	\$26,753	57,877	(11,698)	5,028	77,960
Net income			4,264			4,264
Net unrealized gain (loss) on available-for-sale securities, net of taxes					449	449
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income, net of taxes					(304)	(304)
Change in nonqualified pension plan unrecognized net gain (loss) and unrecognized prior service cost, net of taxes					16	16
Dividend Reinvestment and Stock Purchase Plan	13,775	179				179
Exercise of stock options	2,144		(5)	33		28
		20				20

Compensation expense relating to stock options						
Common stock dividends, \$0.32 per share			(2,147)			(2,147)
Balance June 30, 2012	6,720,642	\$26,952	59,989	(11,665)	5,189	80,465

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

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LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(unaudited)

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$4,264	4,294
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation, amortization, and accretion	1,558	1,351
Provision for loan losses	306	888
Curtailment charge for nonqualified defined benefit retirement plan	-	191
Increase in cash surrender value of bank owned life insurance	(287)	(294)
Realized (gain) loss from sales of securities available-for-sale	(459)	(419)
Realized (gain) loss from sales of premises and equipment	-	(5)
Realized gain from sale of insurance agency	-	(1,503)
Realized (gain) loss from sales and write-downs of other real estate owned and repossessed assets	80	(31)
Origination of mortgage loans for sale	(11,394)	(2,698)
Realized gains from sales of mortgage loans	(209)	(57)
Proceeds from sales of mortgage loans	11,486	2,726
Compensation expense related to stock options	20	22
Changes in:		
Accrued income receivable	(122)	21
Other assets	22	57
Other liabilities	(218)	(335)
TOTAL ADJUSTMENTS	783	(86)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,047	4,208
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities available-for-sale	31,484	18,982
Proceeds from maturities and calls of investment securities:		
Available-for-sale	16,680	15,729
Held-to-maturity	1,442	2,628
Purchases of investment securities:		
Available-for-sale	(79,400)	(48,203)
Held-to-maturity	(2,182)	(1,730)
Purchase of Federal Reserve Bank stock	(8)	(2)
Net (increase) decrease in loans	(1,212)	(3,281)
Proceeds from sale of other real estate owned and repossessed assets	20	148
Purchases of premises and equipment	(212)	(1,692)
Additions to other real owned	(16)	-
Proceeds from sales of premises and equipment	-	13
Proceeds from sale of insurance agency, net of cash disposed	-	1,523
NET CASH FLOWS FROM INVESTING ACTIVITIES	(33,404)	(15,885)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	47,094	40,212
Net increase (decrease) in short-term borrowings	(8,454)	(9,493)
Proceeds from long-term debt	-	5,000
Principal payments on long-term debt	(982)	(6,059)
Proceeds from issuance of common stock	30	-
Proceeds from exercise of stock options	28	-
Cash dividends paid on common stock	(1,998)	(2,141)
NET CASH FLOWS FROM FINANCING ACTIVITIES	35,718	27,519
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,361	15,842
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,535	10,999
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$26,896	26,841
SUPPLEMENTAL CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	\$2,655	3,514
Income taxes	1,125	1,714
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Transfer from loans to other real estate owned and repossessed assets	564	229

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

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

Note 1 - Basis of Presentation

Substantially all of the assets, liabilities and operations of LCNB Corp. ("LCNB") are attributable to its wholly-owned subsidiary, LCNB National Bank (the "Bank"). The accompanying unaudited consolidated financial statements include the accounts of LCNB and the Bank. LCNB completed the sale of its subsidiary, Dakin Insurance Agency, Inc. ("Dakin") on March 23, 2011. The financial results of Dakin are included as income from discontinued operations, net of tax, in the accompanying unaudited consolidated financial statements through the date of sale.

The unaudited interim consolidated financial statements, which have been reviewed by J.D. Cloud & Co. L.L.P., LCNB's independent registered public accounting firm, in accordance with standards established by the Public Company Accounting Oversight Board, as indicated by their report included herein and which does not express an opinion on those 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"). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. 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.

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 and 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 six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012. 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 2011 Annual Report on Form 10-K filed with the SEC.

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

Note 2 - Investment Securities

The amortized cost and estimated fair value of available-for-sale investment securities at June 30, 2012 and December 31, 2011 are summarized as follows (in thousands):

	June 30, 2012			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
U.S. Treasury notes	\$20,848	321	-	21,169
U.S. Agency notes	99,700	1,577	35	101,242
U.S. Agency mortgage-backed securities	56,814	1,498	15	58,297
Corporate securities	6,280	53	1	6,332
Municipal securities:				
Non-taxable	69,854	3,427	48	73,233
Taxable	19,983	1,195	-	21,178
Mutual funds	2,118	35	-	2,153
Trust preferred securities	498	26	9	515
Equity securities	977	78	33	1,022
	\$277,072	8,210	141	285,141

	December 31, 2011			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
U.S. Treasury notes	\$17,385	165	-	17,550
U.S. Agency notes	81,415	1,517	5	82,927
U.S. Agency mortgage-backed securities	50,923	1,475	111	52,287
Corporate securities	6,334	47	16	6,365
Municipal securities:				
Non-taxable	65,896	3,827	20	69,703
Taxable	21,027	894	14	21,907
Mutual fund	2,103	22	-	2,125
Trust preferred securities	549	37	22	564
Equity securities	526	57	5	578
	\$246,158	8,041	193	254,006

The fair value of held-to-maturity investment securities, consisting of taxable and non-taxable municipal securities, approximates amortized cost at June 30, 2012 and December 31, 2011.

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

Note 2 - Investment Securities (continued)

Information concerning available-for-sale investment securities with gross unrealized losses at June 30, 2012, aggregated by length of time that individual securities have been in a continuous loss position, is as follows (in thousands):

	Less than Twelve Months Fair Value	Unrealized Losses	Twelve Months or Greater Fair Value	Unrealized Losses
U.S. Treasury notes	\$-	-	-	-
U.S. Agency notes	16,819	35	-	-
U.S. Agency mortgage-backed securities	4,355	15	-	-
Corporate securities	2,192	1	-	-
Municipal securities:				
Non-taxable	5,272	30	2,148	18
Taxable	-	-	-	-
Mutual fund	-	-	-	-
Trust preferred securities	99	1	141	8
Equity securities	415	28	59	5
	\$29,152	110	2,348	31

Management has determined that the unrealized losses at June 30, 2012 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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LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

Note 3 - Loans

Major classifications of loans at June 30, 2012 and December 31, 2011 are as follows (in thousands):

	June 30, 2012	December 31, 2011
Commercial and industrial	\$ 25,350	30,990
Commercial, secured by real estate	230,285	219,188
Residential real estate	187,752	186,904
Consumer	12,498	14,562
Agricultural	1,641	2,835
Other loans, including deposit overdrafts	3,922	6,554
	461,448	461,033
Deferred net origination costs	133	229
	461,581	461,262
Less allowance for loan losses	2,952	2,931
Loans, net	\$ 458,629	458,331

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

Note 3 – Loans (continued)

Non-accrual, past-due, and accruing restructured loans as of June 30, 2012 and December 31, 2011 are as follows (in thousands):

	June 30, 2012	Dec 31, 2011
Non-accrual loans:		
Commercial and industrial	\$243	49
Commercial, secured by real estate	1,007	1,9
Commercial real estate	1,998	1,2
Non-accrual loans	3,248	3,6
of which 90 days or more and still accruing	73	39
Non-accrual and past-due 90 days or more and still accruing	3,321	3,7
and accruing restructured loans	13,447	14
	\$16,768	18
Percentage of total non-accrual and past-due 90 days or more and still accruing to total loans	0.72	% 0.8
Percentage of total non-accrual, past-due 90 days or more and still accruing, and accruing restructured loans to total loans	3.63	% 4.0

Loans sold to and serviced for the Federal Home Loan Mortgage Corporation and other investors are not included in the accompanying consolidated balance sheets. The unpaid principal balances of those loans at June 30, 2012 and December 31, 2011 are \$68,938,000 and \$67,410,000, respectively. Loans sold to the Federal Home Loan Mortgage Corporation during the three and six months ended June 30, 2012 totaled \$5,528,000 and \$11,394,000, respectively, and \$976,000 and \$2,698,000 during the three and six months ended June 30, 2011, respectively.

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

Note 3 – Loans (continued)

The allowance for loan losses and recorded investment in loans for the six months ended June 30 are as follows (in thousands)

	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer	Agricultural	Other	Total
2012							
Allowance for loan losses:							
Balance, beginning of year	\$ 162	1,941	656	166	-	6	2,931
Provision charged to expenses	(10)	(77)	422	(39)	-	10	306
Losses charged off	-	(206)	(153)	(57)	-	(40)	(456)
Recoveries	-	71	7	68	-	25	171
Balance, end of period	\$ 152	1,729	932	138	-	1	2,952
Ending balance:							
Individually evaluated for impairment	\$ -	83	378	-	-	-	461
Collectively evaluated for impairment	152	1,646	554	138	-	1	2,491
Totals	\$ 152	1,729	932	138	-	1	2,952
Loans:							
Ending balance:							
Individually evaluated for impairment	\$ 242	10,232	5,614	8	-	-	16,096
Collectively evaluated for impairment	25,087	219,866	182,380	12,589	1,641	3,922	445,485
Totals	\$ 25,329	230,098	187,994	12,597	1,641	3,922	461,581
2011							
Allowance for loan losses:							
Balance, beginning of year	\$ 305	1,625	459	246	-	6	2,641
	321	279	250	23	-	15	888

Provision charged to expenses							
Losses charged off	(251)	-	(132)	(138)	-	(58)	(579)
Recoveries	-	30	4	82	-	43	159
Balance, end of period	\$ 375	1,934	581	213	-	6	3,109
Ending balance:							
Individually evaluated for impairment	\$ 133	341	82	-	-	-	556
Collectively evaluated for impairment	242	1,593	499	213	-	6	2,553
Totals	\$ 375	1,934	581	213	-	6	3,109
Loans:							
Ending balance:							
Individually evaluated for impairment	\$ 780	11,920	533	-	-	-	13,233
Collectively evaluated for impairment	32,713	194,939	187,248	17,113	2,844	9,466	444,323
Totals	\$ 33,493	206,859	187,781	17,113	2,844	9,466	457,556

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

Note 3 – 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 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.

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LCNB CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 3 – Loans (continued)

A breakdown of the loan portfolio by credit quality indicators at June 30, 2012 and December 31, 2011 is as follows (in thousands):

	Pass	OAEM	Substandard	Doubtful	Total
June 30, 2012					
Commercial & industrial	\$22,146	2,526	657	-	25,329
Commercial, secured by real estate	219,325	2,236	8,537	-	230,098
Residential real estate	178,178	2,632	7,184	-	187,994
Consumer	12,540	-	57	-	12,597
Agricultural	1,637	-	4	-	1,641
Other	3,922	-	-	-	3,922
Total	\$437,748	7,394	16,439	-	461,581
December 31, 2011					
Commercial & industrial	\$26,099	1,700	2,804	370	30,973
Commercial, secured by real estate	206,728	2,133	9,633	568	219,062
Residential real estate	182,409	1,681	2,682	376	187,148
Consumer	14,601	-	50	39	14,690
Agricultural	1,430	-	1,405	-	2,835
Other	6,554	-	-	-	6,554
Total	\$437,821	5,514	16,574	1,353	461,262

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Note 3 – Loans (continued)

A loan portfolio aging analysis at June 30, 2012 and December 31, 2011 is as follows (in thousands):

30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans Greater Than 90 Days and Accruing
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