

LCNB CORP  
Form 10-Q  
November 04, 2015

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, 2015

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

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, 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

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

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The number of shares outstanding of the issuer's common stock, without par value, as of October 30, 2015 was 9,903,736 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 BALANCE SHEETS  
 (Dollars in thousands, except per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
<b>ASSETS:</b>		
Cash and due from banks	\$18,844	14,235
Interest-bearing demand deposits	14,367	1,610
Total cash and cash equivalents	33,211	15,845
Investment securities:		
Available-for-sale, at fair value	360,741	285,365
Held-to-maturity, at cost	24,575	22,725
Federal Reserve Bank stock, at cost	2,476	2,346
Federal Home Loan Bank stock, at cost	3,638	3,638
Loans, net	759,875	695,835
Premises and equipment, net	22,434	20,733
Goodwill	30,187	27,638
Core deposit and other intangibles	5,601	4,780
Bank owned life insurance	22,406	21,936
Other assets	10,027	7,225
<b>TOTAL ASSETS</b>	<b>\$1,275,171</b>	<b>1,108,066</b>
<b>LIABILITIES:</b>		
Deposits:		
Noninterest-bearing	\$238,796	213,303
Interest-bearing	864,717	732,902
Total deposits	1,103,513	946,205
Short-term borrowings	14,931	16,645
Long-term debt	6,016	11,357
Accrued interest and other liabilities	9,860	8,164
<b>TOTAL LIABILITIES</b>	<b>1,134,320</b>	<b>982,371</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred shares – no par value, authorized 1,000,000 shares, none outstanding	—	—
Common shares – no par value, authorized 12,000,000 shares, issued 10,656,921 and 10,064,945 shares at September 30, 2015 and December 31, 2014, respectively	76,711	67,181
Retained earnings	73,330	69,394
Treasury shares at cost, 753,627 shares at September 30, 2015 and December 31, 2014	(11,665	) (11,665
Accumulated other comprehensive income, net of taxes	2,475	785
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>140,851</b>	<b>125,695</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,275,171</b>	<b>1,108,066</b>

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

The consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated balance sheet as of that day.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>INTEREST INCOME:</b>				
Interest and fees on loans	\$8,540	8,168	26,572	24,008
Interest on investment securities:				
Taxable	1,094	984	2,983	2,901
Non-taxable	732	716	2,087	2,019
Other investments	43	38	205	182
<b>TOTAL INTEREST INCOME</b>	<b>10,409</b>	<b>9,906</b>	<b>31,847</b>	<b>29,110</b>
<b>INTEREST EXPENSE:</b>				
Interest on deposits	834	800	2,187	2,423
Interest on short-term borrowings	5	10	13	18
Interest on long-term debt	73	101	222	305
<b>TOTAL INTEREST EXPENSE</b>	<b>912</b>	<b>911</b>	<b>2,422</b>	<b>2,746</b>
<b>NET INTEREST INCOME</b>	<b>9,497</b>	<b>8,995</b>	<b>29,425</b>	<b>26,364</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>240</b>	<b>401</b>	<b>986</b>	<b>737</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>9,257</b>	<b>8,594</b>	<b>28,439</b>	<b>25,627</b>
<b>NON-INTEREST INCOME:</b>				
Trust income	754	688	2,406	2,071
Service charges and fees on deposit accounts	1,314	1,245	3,655	3,619
Net gain (loss) on sales of securities	—	97	332	93
Bank owned life insurance income	156	165	470	507
Gains from sales of loans	34	24	288	92
Other operating income	128	96	372	311
<b>TOTAL NON-INTEREST INCOME</b>	<b>2,386</b>	<b>2,315</b>	<b>7,523</b>	<b>6,693</b>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits	4,340	4,022	13,011	11,896
Equipment expenses	324	337	914	976
Occupancy expense, net	570	541	1,749	1,706
State franchise tax	251	231	753	714
Marketing	176	212	559	541
Amortization of intangibles	189	150	510	424
FDIC insurance premiums	136	183	432	492
Merger-related expenses	49	4	641	1,366
Other non-interest expense	2,053	1,558	5,594	5,395
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>8,088</b>	<b>7,238</b>	<b>24,163</b>	<b>23,510</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,555</b>	<b>3,671</b>	<b>11,799</b>	<b>8,810</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>922</b>	<b>953</b>	<b>3,209</b>	<b>2,158</b>
<b>NET INCOME</b>	<b>\$2,633</b>	<b>2,718</b>	<b>8,590</b>	<b>6,652</b>
Dividends declared per common share	\$0.16	0.16	0.48	0.48

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Earnings per common share:

Basic	\$0.26	0.30	0.89	0.72
Diluted	0.26	0.29	0.88	0.71
Weighted average common shares outstanding:				
Basic	9,898,233	9,299,691	9,637,344	9,293,866
Diluted	10,005,788	9,405,013	9,742,839	9,407,110

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$2,633	2,718	8,590	6,652
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale securities (net of taxes of \$1,015 and \$(353) for the three months ended September 30, 2015 and 2014, respectively and \$940 and \$962 for the nine months ended September 30, 2015 and 2014 respectively)	1,972	(687	) 1,825	1,867
Reclassification adjustment for net realized (gain) loss on sale of available-for-sale securities included in net income (net of taxes of \$- and \$33 for the three months ended September 30, 2015 and 2014, respectively and \$113 and \$32 for the nine months ended September 30, 2015 and 2014 respectively)	—	(64	) (219	) (61
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost (net of taxes of \$15 and \$3 for the three months ended September 30, 2015 and 2014, respectively and \$44 and \$4 for the nine months ended September 30, 2015 and 2014 respectively)	28	4	84	7
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$4,633</b>	<b>1,971</b>	<b>10,280</b>	<b>8,465</b>

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)