

LCNB CORP  
Form 10-Q  
November 06, 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 September 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,

Edgar Filing: LCNB CORP - Form 10-Q

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

The number of shares outstanding of the issuer's common stock, without par value, as of November 5, 2012 was 6,726,719 shares.

---

---

---

LCNB CORP. AND SUBSIDIARIES

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION	2
Item 1. <u>Financial Statements</u>	2
<u>CONSOLIDATED BALANCE SHEETS</u>	2
<u>CONSOLIDATED STATEMENTS OF INCOME</u>	3
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	4
<u>CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY</u>	5
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	6
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	7
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	35
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risks</u>	46
Item 4. <u>Controls and Procedures</u>	47
PART II. OTHER INFORMATION	48
Item 1. <u>Legal Proceedings</u>	48
Item 1A. <u>Risk Factors</u>	48
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
Item 3. <u>Defaults Upon Senior Securities</u>	48
Item 4. <u>Mine Safety Disclosures</u>	48
Item 5. <u>Other Information</u>	48
Item 6. <u>Exhibits</u>	49
<u>SIGNATURES</u>	50



Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS:</b>		
Cash and due from banks	\$ 15,166	12,449
Interest-bearing demand deposits	17,908	7,086
Total cash and cash equivalents	33,074	19,535
<b>Investment securities:</b>		
Available-for-sale, at fair value	265,737	254,006
Held-to-maturity, at cost	12,503	10,734
Federal Reserve Bank stock, at cost	949	940
Federal Home Loan Bank stock, at cost	2,091	2,091
Loans, net	454,541	458,331
Premises and equipment, net	16,820	17,346
Goodwill	5,915	5,915
Bank owned life insurance	16,770	14,837
Other assets	8,792	7,835
<b>TOTAL ASSETS</b>	<b>\$ 817,192</b>	<b>791,570</b>
<b>LIABILITIES:</b>		
<b>Deposits:</b>		
Noninterest-bearing	\$ 116,489	106,793
Interest-bearing	584,591	556,769
Total deposits	701,080	663,562
Short-term borrowings	12,076	21,596
Long-term debt	14,049	21,373
Accrued interest and other liabilities	7,856	7,079
<b>TOTAL LIABILITIES</b>	<b>735,061</b>	<b>713,610</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 7,480,134 and 7,460,494 shares at September 30, 2012 and December 31, 2011, respectively	27,040	26,753
Retained earnings	60,760	57,877
Treasury shares at cost, 753,627 and 755,771 shares at September 30, 2012 and December 31, 2011, respectively	(11,665 )	(11,698 )
Accumulated other comprehensive income, net of taxes	5,996	5,028
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>82,131</b>	<b>77,960</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 817,192</b>	<b>791,570</b>

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

Table of Contents

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,	
	2012	2011	2012	2011
<b>INTEREST INCOME:</b>				
Interest and fees on loans	\$5,822	6,294	17,950	19,289
Interest on investment securities –				
Taxable	941	1,036	2,810	2,826
Non-taxable	615	619	1,831	1,966
Other short-term investments	26	27	115	124
<b>TOTAL INTEREST INCOME</b>	<b>7,404</b>	<b>7,976</b>	<b>22,706</b>	<b>24,205</b>
<b>INTEREST EXPENSE:</b>				
Interest on deposits	1,050	1,371	3,332	4,454
Interest on short-term borrowings	4	6	12	23
Interest on long-term debt	136	160	440	499
<b>TOTAL INTEREST EXPENSE</b>	<b>1,190</b>	<b>1,537</b>	<b>3,784</b>	<b>4,976</b>
<b>NET INTEREST INCOME</b>	<b>6,214</b>	<b>6,439</b>	<b>18,922</b>	<b>19,229</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>436</b>	<b>588</b>	<b>742</b>	<b>1,476</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>5,778</b>	<b>5,851</b>	<b>18,180</b>	<b>17,753</b>
<b>NON-INTEREST INCOME:</b>				
Trust income	530	553	1,769	1,572
Service charges and fees on deposit accounts	911	957	2,698	2,810
Net gain on sales of securities	427	273	886	692
Bank owned life insurance income	145	153	432	447
Gains from sales of mortgage loans	151	35	360	92
Other operating income	41	62	151	170
<b>TOTAL NON-INTEREST INCOME</b>	<b>2,205</b>	<b>2,033</b>	<b>6,296</b>	<b>5,783</b>
<b>NON-INTEREST EXPENSE:</b>				
Salaries and employee benefits	3,059	2,983	9,004	8,990
Equipment expenses	263	288	789	745
Occupancy expense, net	445	443	1,242	1,305
State franchise tax	193	190	595	582
Marketing	129	145	409	370
FDIC insurance premiums	83	95	298	563
Other non-interest expense	1,392	1,292	4,005	3,973
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>5,564</b>	<b>5,436</b>	<b>16,342</b>	<b>16,528</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,419</b>	<b>2,448</b>	<b>8,134</b>	<b>7,008</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>572</b>	<b>581</b>	<b>2,023</b>	<b>1,640</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>1,847</b>	<b>1,867</b>	<b>6,111</b>	<b>5,368</b>
	-	-	-	793

Edgar Filing: LCNB CORP - Form 10-Q

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX				
NET INCOME	\$1,847	1,867	6,111	6,161
Dividends declared per common share	\$0.16	0.16	0.48	0.48
Basic earnings per common share:				
Continuing operations	\$0.27	0.28	0.91	0.80
Discontinued operations	-	-	-	0.12
Diluted earnings per common share:				
Continuing operations	\$0.27	0.28	0.90	0.80
Discontinued operations	-	-	-	0.12
Weighted average common shares outstanding:				
Basic	6,721,699	6,690,963	6,713,959	6,690,157
Diluted	6,797,675	6,750,807	6,787,000	