

LCNB CORP  
Form 10-Q  
May 04, 2016

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 March 31, 2016

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, 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 May 3, 2016 was 9,894,743 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)

	March 31, 2016 (Unaudited)	December 31, 2015
<b>ASSETS:</b>		
Cash and due from banks	\$13,060	14,155
Interest-bearing demand deposits	8,029	832
Total cash and cash equivalents	21,089	14,987
Investment securities:		
Available-for-sale, at fair value	351,101	377,978
Held-to-maturity, at cost	36,505	22,633
Federal Reserve Bank stock, at cost	2,732	2,732
Federal Home Loan Bank stock, at cost	3,638	3,638
Loans, net	775,564	767,809
Premises and equipment, net	21,985	22,100
Goodwill	30,183	30,183
Core deposit and other intangibles	5,183	5,396
Bank owned life insurance	26,730	22,561
Other assets	11,212	10,514
<b>TOTAL ASSETS</b>	<b>\$1,285,922</b>	<b>1,280,531</b>
<b>LIABILITIES:</b>		
Deposits:		
Noninterest-bearing	\$249,439	250,306
Interest-bearing	870,769	836,854
Total deposits	1,120,208	1,087,160
Short-term borrowings	11,668	37,387
Long-term debt	789	5,947
Accrued interest and other liabilities	10,324	9,929
<b>TOTAL LIABILITIES</b>	<b>1,142,989</b>	<b>1,140,423</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</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 10,685,415 and 10,679,174 shares at March 31, 2016 and December 31, 2015, respectively	75,487	76,908
Retained earnings	76,005	74,629
Treasury shares at cost, 753,627 shares at March 31, 2016 and December 31, 2015	(11,665)	(11,665)
Accumulated other comprehensive income, net of taxes	3,106	236
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>142,933</b>	<b>140,108</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,285,922</b>	<b>1,280,531</b>

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

The consolidated balance sheet as of December 31, 2015 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 March 31,	
	2016	2015
<b>INTEREST INCOME:</b>		
Interest and fees on loans	8,627	8,540
Interest on investment securities:		
Taxable	1,189	856
Non-taxable	758	653
Other investments	47	41
<b>TOTAL INTEREST INCOME</b>	<b>10,621</b>	<b>10,090</b>
<b>INTEREST EXPENSE:</b>		
Interest on deposits	823	682
Interest on short-term borrowings	14	4
Interest on long-term debt	12	76
<b>TOTAL INTEREST EXPENSE</b>	<b>849</b>	<b>762</b>
<b>NET INTEREST INCOME</b>	<b>9,772</b>	<b>9,328</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>90</b>	<b>69</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>9,682</b>	<b>9,259</b>
<b>NON-INTEREST INCOME:</b>		
Trust income	763	800
Service charges and fees on deposit accounts	1,193	1,107
Net gain (loss) on sales of securities	371	111
Bank owned life insurance income	169	159
Gains from sales of loans	41	35
Other operating income	105	94
<b>TOTAL NON-INTEREST INCOME</b>	<b>2,642</b>	<b>2,306</b>
<b>NON-INTEREST EXPENSE:</b>		
Salaries and employee benefits	4,563	4,290
Equipment expenses	249	288
Occupancy expense, net	569	595
State franchise tax	281	252
Marketing	167	163
Amortization of intangibles	187	146
FDIC insurance premiums	165	151
Merger-related expenses	—	70
Other non-interest expense	2,111	1,694
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>8,292</b>	<b>7,649</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>4,032</b>	<b>3,916</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>1,068</b>	<b>1,082</b>
<b>NET INCOME</b>	<b>2,964</b>	<b>2,834</b>
Dividends declared per common share	0.16	0.16

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Earnings per common share:

Basic	0.30	0.30
Diluted	0.30	0.30

Weighted average common shares outstanding:

Basic	9,916,114	9,312,636
Diluted	9,998,516	9,410,774

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 March 31,	
	2016	2015
Net income	2,964	2,834
Other comprehensive income (loss):		
Net unrealized gain (loss) on available-for-sale securities (net of taxes of \$1,590 and \$763 for the three months ended March 31, 2016 and 2015, respectively)	3,087	1,480
Reclassification adjustment for net realized (gain) loss on sale of available-for-sale securities included in net income (net of taxes of \$126 and \$38 for the three months ended March 31, 2016 and 2015, respectively)	(245 )	(73 )
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost (net of taxes of \$14 and \$14 for the three months ended March 31, 2016 and 2015, respectively)	28	28
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>5,834</b>	<b>4,269</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)

	Common Shares Outstanding	Common Stock	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2014	9,311,318	\$ 67,181	69,394	(11,665)	785	125,695
Net income			2,834			2,834
Other comprehensive income, net of taxes					1,435	1,435
Dividend Reinvestment and Stock Purchase Plan	6,265	95				95
Compensation expense relating to stock options		7				7
Common stock dividends, \$0.16 per share			(1,490 )			(1,490 )
Balance at March 31, 2015	9,317,583	\$ 67,283	70,738	(11,665)	2,220	128,576
Balance at December 31, 2015	9,925,547	\$ 76,908	74,629	(11,665)	236	140,108
Net income			2,964			2,964
Other comprehensive income, net of taxes					2,870	2,870
Dividend Reinvestment and Stock Purchase Plan	6,241	101				101
Repurchase of stock warrants						