

LCNB CORP  
Form 10-Q  
May 09, 2014

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, 2014

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

The number of shares outstanding of the issuer's common stock, without par value, as of May 8, 2014 was 9,292,626 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)

	March 31, 2014 (Unaudited)	December 31, 2013
<b>ASSETS:</b>		
Cash and due from banks	\$20,238	10,410
Interest-bearing demand deposits	13,185	4,278
Total cash and cash equivalents	33,423	14,688
Investment securities:		
Available-for-sale, at fair value	310,063	258,241
Held-to-maturity, at cost	16,467	16,323
Federal Reserve Bank stock, at cost	1,603	1,603
Federal Home Loan Bank stock, at cost	3,638	2,854
Loans, net	681,826	570,766
Premises and equipment, net	21,042	19,897
Goodwill	27,424	14,186
Bank owned life insurance	21,437	21,280
Other assets	16,585	12,500
<b>TOTAL ASSETS</b>	<b>\$1,133,508</b>	<b>932,338</b>
<b>LIABILITIES:</b>		
Deposits:		
Noninterest-bearing	\$196,007	164,912
Interest-bearing	788,507	620,849
Total deposits	984,514	785,761
Short-term borrowings	11,215	8,655
Long-term debt	11,580	12,102
Accrued interest and other liabilities	6,438	6,947
<b>TOTAL LIABILITIES</b>	<b>1,013,747</b>	<b>813,465</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 10,045,853 and 10,041,163 shares at March 31, 2014 and December 31, 2013, respectively	66,874	66,785
Retained earnings	65,313	65,475
Treasury shares at cost, 753,627 shares at March 31, 2014 and December 31, 2013	(11,665	) (11,665
Accumulated other comprehensive loss, net of taxes	(761	) (1,722
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>119,761</b>	<b>118,873</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,133,508</b>	<b>932,338</b>

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

The consolidated balance sheet as of December 31, 2013 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,	
	2014	2013
<b>INTEREST INCOME:</b>		
Interest and fees on loans	7,696	6,580
Interest on investment securities –		
Taxable	891	834
Non-taxable	646	623
Other short-term investments	45	39
<b>TOTAL INTEREST INCOME</b>	<b>9,278</b>	<b>8,076</b>
<b>INTEREST EXPENSE:</b>		
Interest on deposits	809	983
Interest on short-term borrowings	3	3
Interest on long-term debt	103	112
<b>TOTAL INTEREST EXPENSE</b>	<b>915</b>	<b>1,098</b>
<b>NET INTEREST INCOME</b>	<b>8,363</b>	<b>6,978</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>81</b>	<b>149</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>8,282</b>	<b>6,829</b>
<b>NON-INTEREST INCOME:</b>		
Trust income	655	575
Service charges and fees on deposit accounts	1,122	979
Net gain (loss) on sales of securities	(4	) 587
Bank owned life insurance income	172	172
Gains from sales of mortgage loans	15	129
Other operating income	117	65
<b>TOTAL NON-INTEREST INCOME</b>	<b>2,077</b>	<b>2,507</b>
<b>NON-INTEREST EXPENSE:</b>		
Salaries and employee benefits	3,918	3,294
Equipment expenses	294	292
Occupancy expense, net	651	506
State franchise tax	244	216
Marketing	132	144
FDIC insurance premiums	149	128
Merger-related expenses	1,292	1,055
Other non-interest expense	1,992	1,456
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>8,672</b>	<b>7,091</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,687</b>	<b>2,245</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>364</b>	<b>517</b>
<b>NET INCOME</b>	<b>1,323</b>	<b>1,728</b>
Dividends declared per common share	0.16	0.16
Earnings per common share:		
Basic	0.14	0.23
Diluted	0.14	0.23

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Weighted average common shares outstanding:

Basic	9,288,400	7,513,101
Diluted	9,413,049	7,610,626

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 March 31,	
	2014	2013
Net income	1,323	1,728
Other comprehensive income:		
Net unrealized gain (loss) on available-for-sale securities (net of taxes of \$493 and \$176 for the three months ended March 31, 2014 and 2013, respectively)	956	(342 )
Reclassification adjustment for net realized (gain) loss on sale of available-for-sale securities included in net income (net of taxes of \$1 and \$200 for the three months ended March 31, 2014 and 2013, respectively)	3	(387 )
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost (net of taxes of \$1 and \$5 for the three months ended March 31, 2014 and 2013, respectively)	2	8
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,284</b>	<b>1,007</b>

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



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## 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, 2012	6,731,900	\$27,107	61,843	(11,665 )	4,721	82,006
Net income			1,728			1,728
Net unrealized loss on available-for-sale securities, net of taxes					(342 )	(342 )
Reclassification adjustment for net realized gain on sales of available-for-sale securities included in net income, net of taxes					(387 )	(387 )
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost, net of taxes					8	8
Dividend Reinvestment and Stock Purchase Plan	5,049	80				80
Acquisition of First Capital Bancshares, Inc.	888,811	12,321				12,321
Compensation expense relating to stock options		9				9
Common stock dividends, \$0.16 per share			(1,219 )			(1,219 )
Balance at March 31, 2013	7,625,760	\$39,517	62,352	(11,665 )	4,000	94,204
Balance at December 31, 2013	9,287,536	\$66,785	65,475	(11,665 )	(1,722 )	118,873
Net income			1,323			1,323
Net unrealized gain on available-for-sale securities, net of taxes					956	956
Reclassification adjustment for net realized loss on sales of available-for-sale securities included in net income, net of taxes					3	3
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost, net of taxes					2	2
	4,690	82				82

Dividend Reinvestment and  
Stock Purchase Plan  
Compensation expense relating to  
stock options