

LCNB CORP
Form 10-Q
November 06, 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 September 30, 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

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The number of shares outstanding of the issuer's common stock, without par value, as of November 3, 2014 was 9,305,413 shares.

Table of Contents

LCNB CORP. AND SUBSIDIARIES

TABLE OF CONTENTS

<u>PART I – FINANCIAL INFORMATION</u>	<u>2</u>
<u>Item 1. Financial Statements</u>	<u>2</u>
<u>CONSOLIDATED BALANCE SHEETS</u>	<u>2</u>
<u>CONSOLIDATED STATEMENTS OF INCOME</u>	<u>3</u>
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	<u>4</u>
<u>CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY</u>	<u>5</u>
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>6</u>
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risks</u>	<u>47</u>
<u>Item 4. Controls and Procedures</u>	<u>48</u>
<u>PART II. OTHER INFORMATION</u>	<u>49</u>
<u>Item 1. Legal Proceedings</u>	<u>49</u>
<u>Item 1A. Risk Factors</u>	<u>49</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>49</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>49</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>49</u>
<u>Item 5. Other Information</u>	<u>49</u>
<u>Item 6. Exhibits</u>	<u>50</u>
<u>SIGNATURES</u>	<u>51</u>

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS:		
Cash and due from banks	\$13,388	10,410
Interest-bearing demand deposits	19,665	4,278
Total cash and cash equivalents	33,053	14,688
Investment securities:		
Available-for-sale, at fair value	292,853	258,241
Held-to-maturity, at cost	23,504	16,323
Federal Reserve Bank stock, at cost	2,346	1,603
Federal Home Loan Bank stock, at cost	3,638	2,854
Loans, net	682,617	570,766
Premises and equipment, net	20,907	19,897
Goodwill	27,638	14,186
Bank owned life insurance	21,773	21,280
Other assets	15,027	12,500
TOTAL ASSETS	\$1,123,356	932,338
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$190,875	164,912
Interest-bearing	765,758	620,849
Total deposits	956,633	785,761
Short-term borrowings	24,954	8,655
Long-term debt	11,432	12,102
Accrued interest and other liabilities	7,158	6,947
TOTAL LIABILITIES	1,000,177	813,465
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 10,058,835 and 10,041,163 shares at September 30, 2014 and December 31, 2013, respectively	67,086	66,785
Retained earnings	67,667	65,475
Treasury shares at cost, 753,627 shares at September 30, 2014 and December 31, 2013	(11,665)	(11,665)
Accumulated other comprehensive income (loss), net of taxes	91	(1,722)
TOTAL SHAREHOLDERS' EQUITY	123,179	118,873
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,123,356	932,338

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.

2

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,	
	2014	2013	2014	2013
INTEREST INCOME:				
Interest and fees on loans	\$8,168	6,902	24,008	20,298
Interest on investment securities:				
Taxable	984	862	2,901	2,556
Non-taxable	716	654	2,019	1,932
Other investments	38	32	182	145
TOTAL INTEREST INCOME	9,906	8,450	29,110	24,931
INTEREST EXPENSE:				
Interest on deposits	800	875	2,423	2,789
Interest on short-term borrowings	10	11	18	18
Interest on long-term debt	101	109	305	331
TOTAL INTEREST EXPENSE	911	995	2,746	3,138
NET INTEREST INCOME	8,995	7,455	26,364	21,793
PROVISION FOR LOAN LOSSES	401	178	737	369
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,594	7,277	25,627	21,424
NON-INTEREST INCOME:				
Trust income	688	626	2,071	1,810
Service charges and fees on deposit accounts	1,245	1,062	3,619	3,114
Net gain on sales of securities	97	58	93	753
Bank owned life insurance income	165	168	507	512
Gains from sales of mortgage loans	24	57	92	305
Other operating income	96	76	311	238
TOTAL NON-INTEREST INCOME	2,315	2,047	6,693	6,732
NON-INTEREST EXPENSE:				
Salaries and employee benefits	4,022	3,247	11,896	9,783
Equipment expenses	337	318	976	908
Occupancy expense, net	541	505	1,706	1,529
State franchise tax	231	208	714	635
Marketing	212	145	541	446
FDIC insurance premiums	183	128	492	375
Merger-related expenses	4	—	1,366	1,326
Other non-interest expense	1,708	1,612	5,819	4,576
TOTAL NON-INTEREST EXPENSE	7,238	6,163	23,510	19,578
INCOME BEFORE INCOME TAXES	3,671	3,161	8,810	8,578
PROVISION FOR INCOME TAXES	953	804	2,158	2,145
NET INCOME	\$2,718	2,357	6,652	6,433
Dividends declared per common share	\$0.16	0.16	0.48	0.48
Earnings per common share:				
Basic	\$0.30	0.31	0.72	0.85

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Diluted	0.29	0.30	0.71	0.83
Weighted average common shares outstanding:				
Basic	9,299,691	7,636,098	9,293,866	7,592,818
Diluted	9,405,013	7,787,098	9,407,110	7,722,686

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

3

Table of ContentsLCNB CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$2,718	2,357	6,652	6,433
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale securities (net of taxes of \$(353) and \$391 for the three months ended September 30, 2014 and 2013, respectively, and \$962 and \$(2,452) for the nine months ended September 30, 2014 and 2013, respectively)	(687) 760	1,867	(4,758
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income (net of taxes of \$33 and \$20 for the three months ended September 30, 2014 and 2013, respectively, and \$32 and \$256 for the nine months ended September 30, 2014 and 2013, respectively)	(64) (38) (61) (497
Change in nonqualified pension plan unrecognized net loss and unrecognized prior service cost (net of taxes of \$3 and \$5 for the three months ended September 30, 2014 and 2013, respectively, and \$4 and \$14 for the nine months ended September 30, 2014 and 2013)	4	8	7	26
TOTAL COMPREHENSIVE INCOME	\$1,971	3,087	8,465	1,204

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

Table of Contents

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, 2012	6,731,900	\$27,107	61,843	(11,665)	4,721	82,006
Net income			6,433			6,433
Other comprehensive loss, net of taxes					(5,229)	(5,229)
Dividend Reinvestment and Stock Purchase Plan	13,832	248				248
Exercise of stock options	5,620	70				70
Acquisition of First Capital Bancshares, Inc.	888,811	12,321				12,321
Compensation expense relating to stock options		28				28
Common stock dividends, \$0.48 per share			(3,662)			(3,662)
Balance at September 30, 2013	7,640,163	\$39,774	64,614	(11,665)	(508)	92,215
Balance at December 31, 2013	9,287,536	\$66,785	65,475	(11,665)	(1,722)	118,873
Net income			6,652			6,652
Other comprehensive income, net of taxes					1,813	1,813
Dividend Reinvestment and Stock Purchase Plan	17,672	283				283
Compensation expense relating to stock options		18				18
Common stock dividends, \$0.48 per share			(4,460)			(4,460)
Balance at September 30, 2014	9,305,208	\$67,086	67,667	(11,665)	91	123,179

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

Table of ContentsLCNB CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$6,652	6,433
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation, amortization, and accretion	2,299	1,886
Provision for loan losses	737	369
Increase in cash surrender value of bank owned life insurance	(507)	(512)
Realized gain from sales of securities available-for-sale	(93)	(753)
Realized gain from sales of premises and equipment	(116)	(1)
Realized (gain) loss from sales and write-downs of other real estate owned and repossessed assets	9	(175)
Origination of mortgage loans for sale	(5,024)	(16,831)
Realized gains from sales of mortgage loans	(92)	(305)
Proceeds from sales of mortgage loans	5,066	16,970
Compensation expense related to stock options	18	28
Changes in:		
Accrued income receivable	(575)	(802)
Other assets	689	745
Other liabilities	(46)	(239)
TOTAL ADJUSTMENTS	2,365	380
NET CASH FLOWS FROM OPERATING ACTIVITIES	9,017	6,813
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities available-for-sale	55,795	41,888
Proceeds from maturities and calls of investment securities:		
Available-for-sale	24,133	15,724
Held-to-maturity	3,345	4,437
Purchases of investment securities:		
Available-for-sale	(76,801)	(57,106)
Held-to-maturity	(10,526)	(9,687)
Purchase of Federal Reserve Bank stock	(743)	(497)
Proceeds from redemption of Federal Reserve Bank stock	41	—

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Net (increase) decrease in loans	3,152	(13,446)			
Proceeds from redemption of bank owned life insurance	3,633	—			
Proceeds from sale of other real estate owned and repossessed assets	711	1,062			
Additions to other real estate owned	(20)	—			
Purchases of premises and equipment	(857)	(614)			
Proceeds from sale of premises and equipment	167	1			
Net cash acquired from (paid for) acquisition	(9,114)	9,771			
NET CASH FLOWS FROM INVESTING ACTIVITIES	(7,084)	(8,467)			
CASH FLOWS FROM FINANCING ACTIVITIES:					
D NOWRAP	887.7	3,285.7	2,877.0		
Europe & other	8.3	16.1	6.6	34.9	42.6
Total flat products	1,787.6	1,769.3	1,932.7	7,335.3	6,771.7
North America	291.0	252.3	300.1	1,104.0	974.2
South & Central America	75.2	64.8	92.6	384.3	258.7
Europe & other		20.1		0.0	50.0
Total long products	366.3	337.1	392.7	1,488.3	1,282.9
Total flat and long products	2,153.9	2,106.4	2,325.4	8,823.6	8,054.6

Revenue / ton

USD/ton	4Q 2011	4Q 2010	3Q 2011	2011	2010
North America	969	878	1,044	1,023	899
South & Central America	1,129	1,032	1,138	1,113	1,003
Europe & other	646	619	646	721	594
Total flat products	1,039	943	1,086	1,062	942
North America	811	677	808	797	658
South & Central America	941	742	959	878	634
Europe & other		490		1,507	571
Total long products	838	678	844	818	649
Total flat and long products	1,005	900	1,045	1,021	895

Net Sales

USD million	4Q 2011	4Q 2010	3Q 2011	2011	2010
North America	951.7	859.8	1,084.1	4,108.8	3,464.9
South & Central America	899.8	798.3	1,010.1	3,658.1	2,886.2
Europe & other	5.4	9.9	4.3	25.2	25.3
Total flat products	1,856.8	1,668.1	2,098.5	7,792.0	6,376.4
North America	236.0	170.7	242.5	880.3	640.7
South & Central America	70.8	48.1	88.7	337.5	163.9
Europe & other		9.8		0.0	28.6
Total long products	306.8	228.6	331.3	1,217.9	833.1
Total flat and long products	2,163.6	1,896.7	2,429.8	9,009.9	7,209.5
Other products (1)	34.0	30.9	37.3	147.3	172.5

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Total net sales	2,197.6	1,927.5	2,467.1	9,157.2	7,382.0
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(1) Primarily includes iron ore, pig iron and pre-engineered metal buildings.