

Oconee Federal Financial Corp.
Form 10-Q
February 16, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
X ACT OF 1934**

For the Quarterly Period ended December 31, 2015

Or

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For transition period from to

Commission File Number 001-35033

Oconee Federal Financial Corp.

(Exact Name of Registrant as Specified in Charter)

Federal (State of Other Jurisdiction of Incorporation)	32-0330122 (I.R.S Employer Identification Number)
201 East North Second Street, Seneca, South Carolina (Address of Principal Executive Officers)	29678 (Zip Code)

(864) 882-2765

Registrant's telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report)

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 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, or a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the Issuer’s classes of common stock as of the latest practicable date.

There were 5,880,340 shares of Common Stock, par value \$0.01 per share, outstanding as of February 16, 2016.

OCONEE FEDERAL FINANCIAL CORP.

Form 10-Q Quarterly Report

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OCONEE FEDERAL FINANCIAL CORP.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

(Unaudited)

PART I

ITEM 1. FINANCIAL STATEMENTS

	December 31, 2015 (Unaudited)	June 30, 2015 (Audited)
ASSETS		
Cash and due from banks	\$ 4,515	\$4,883
Interest-earning deposits	19,715	21,309
Total cash and cash equivalents	24,230	26,192
Securities available-for-sale	124,168	111,167
Loans	297,246	309,267
Allowance for loan losses	(1,148) (1,008)
Net loans	296,098	308,259
Loans held for sale	-	118
Premises and equipment, net	6,990	7,058
Real estate owned, net	1,918	2,092
Accrued interest receivable		
Loans	1,035	1,077
Investments	414	312
Restricted equity securities	440	440
Bank owned life insurance	17,283	9,044
Goodwill	2,593	2,593
Core deposit intangible	804	874
Loan servicing rights	1,310	1,396
Deferred tax assets	2,847	3,766
Other assets	656	956
Total assets	\$ 480,786	\$475,344
LIABILITIES		
Deposits		
Noninterest bearing	\$ 22,644	\$20,254
Interest bearing	374,524	373,839

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Total deposits	397,168	394,093
Accrued interest payable and other liabilities	947	461
Total liabilities	398,115	394,554
SHAREHOLDERS' EQUITY		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 5,880,340 and 5,882,140, shares outstanding, respectively	65	65
Treasury stock, \$0.01 par value, 591,699 and 589,899 shares, respectively	(6) (6)
Additional paid-in capital	13,647	13,354
Retained earnings	70,230	68,950
Accumulated other comprehensive income (loss)	98	(26)
Unearned ESOP shares	(1,363) (1,547)
Total shareholders' equity	82,671	80,790
Total liabilities and shareholders' equity	\$ 480,786	\$475,344

See accompanying notes to the consolidated financial statements

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OCONEE FEDERAL FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in thousands, except share and per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Interest and dividend income:				
Loans, including fees	\$ 3,850	\$ 3,337	\$ 7,734	\$ 6,224
Securities, taxable	430	370	820	751
Securities, tax-exempt	119	40	208	76
Interest-earning deposits and other	26	16	42	54
Total interest income	4,425	3,763	8,804	7,105
Interest expense:				
Deposits	295	315	584	623
Total interest expense	295	315	584	623
Net interest income	4,130	3,448	8,220	6,482
Provision for loan losses	277	9	422	9
Net interest income after provision for loan losses	3,853	3,439	7,798	6,473
Noninterest income:				
Service charges on deposit accounts	121	81	240	100
Income on bank owned life insurance	132	72	240	139
Mortgage banking income	95	34	191	34
Gain on sales of securities	-	24	9	29
Gain on disposition of purchase credit impaired loans	90	-	809	-
Gain on sales of real estate owned	10	44	-	36
Change in loan servicing asset	(21)	(28)	(86)	(28)
Other	14	30	19	31
Total noninterest income	441	257	1,422	341
Noninterest expense:				
Salaries and employee benefits	1,857	1,232	3,346	2,142
Occupancy and equipment	354	230	714	397
Data processing	110	107	258	174
Professional and supervisory fees	167	216	417	329

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Office expense	58	44	99	87
Advertising	63	20	100	42
FDIC deposit insurance	53	38	108	77
Provision for real estate owned and related expenses	57	20	163	39
Loss on sales of real estate owned	-	-	59	-
Other	174	83	328	178
Total noninterest expense	2,893	1,990	5,592	3,465
Income before income taxes	1,401	1,706	3,628	3,349
Income tax expense	452	659	1,237	1,215
Net income	\$ 949	\$ 1,047	\$ 2,391	\$ 2,134
Other comprehensive income (loss)				
Unrealized gain (loss) on securities available-for-sale	\$ (579)	\$ 529	\$ 204	\$ 286
Tax effect	209	(201)	(74)	(110)
Reclassification adjustment for gains realized in net income	-	(24)	(9)	(29)
Tax effect	-	9	3	11
Total other comprehensive gain (loss)	(370)	313	124	158
Comprehensive income	\$ 579	\$ 1,360	\$ 2,515	\$ 2,292
Basic net income per share: (Note 3)	\$ 0.17	\$ 0.18	\$ 0.42	\$ 0.38
Diluted net income per share: (Note 3)	\$ 0.16	\$ 0.18	\$ 0.41	\$ 0.37
Dividends declared per share:	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20

See accompanying notes to the consolidated financial statements

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OCONEE FEDERAL FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Amounts in thousands, except share and per share data)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned ESOP Shares	Total
Balance at July 1, 2014	\$ 64	\$ (6)	\$ 12,186	\$ 66,705	\$ (147)	\$ (1,821)	\$ 76,981
Net income	-	-	-	2,134	-	-	2,134
Other comprehensive loss	-	-	-	-	158	-	158
Stock-based compensation expense	-	-	132	-	-	-	132
Common stock issued, 36,945 shares ⁽¹⁾	1	-	699	-	-	-	700
Dividends ⁽²⁾⁽³⁾	-	-	25	(1,124)	-	-	(1,099)
ESOP shares earned	-	-	119	-	-	175	294
Balance at December 31, 2014	\$ 65	\$ (6)	\$ 13,161	\$ 67,715	\$ 11	\$ (1,646)	\$ 79,300