

LCNB CORP
Form 10-Q
April 30, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X)

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

For the quarterly period ended March 31, 2007

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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
(I.R.S. Employer
incorporation or organization)
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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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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 April 30, 2007 was 6,369,436 shares.

LCNB Corp.

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS:		
Cash and due from banks	\$ 12,384	14,864
Federal funds sold and interest-bearing demand deposits	2,732	641
Total cash and cash equivalents	15,116	15,505
Securities available for sale, at estimated fair value	102,995	111,142
Federal Reserve Bank stock and Federal Home		
Loan Bank stock, at cost	2,332	3,332
Loans, net	389,845	388,320
Premises and equipment, net	12,605	12,090
Intangibles, net	1,260	1,426
Bank owned life insurance	11,094	10,979
Other assets	5,834	5,421
TOTAL ASSETS	\$ 541,081	548,215
LIABILITIES:		
Deposits -		
Noninterest-bearing	\$ 82,976	82,360
Interest-bearing	397,346	396,255
Total deposits	480,322	478,615
Short-term borrowings	1,041	15,370

Long-term debt	5,000	-
Accrued interest and other liabilities	3,383	3,231
TOTAL LIABILITIES	489,746	497,216
SHAREHOLDERS' EQUITY:		
Preferred shares - no par value, authorized 1,000,000		
shares, none outstanding		
Common shares - no par value, authorized 8,000,000		
shares, issued 7,103,768 shares	10,560	10,560
Surplus	10,582	10,577
Retained earnings	42,656	42,245
Treasury shares at cost, 734,332 and 724,132 shares at	(11,407)	(11,242)
March 31, 2007 and December 31, 2006, respectively		
Accumulated other comprehensive income (loss), net of taxes	(1,056)	(1,141)
TOTAL SHAREHOLDERS' EQUITY	51,335	50,999
TOTAL LIABILITES AND		
SHAREHOLDERS' EQUITY	\$ 541,081	548,215

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

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2007	2006
INTEREST INCOME:		
Interest and fees on loans	\$ 6,660	5,976
Dividends on Federal Reserve Bank and Federal Home Loan Bank stock	37	36
Interest on investment securities-		
Taxable	641	697
Non-taxable	489	541
Other short-term investments	25	74
TOTAL INTEREST INCOME	7,852	7,324
INTEREST EXPENSE:		
Interest on deposits	3,161	2,669
Interest on short-term borrowings	147	32
Interest on long-term debt	14	28
TOTAL INTEREST EXPENSE	3,322	2,729
NET INTEREST INCOME	4,530	4,595
PROVISION FOR (REDUCTION IN ALLOWANCE FOR)		
LOAN LOSSES	60	(112)
NET INTEREST INCOME AFTER PROVISION FOR		
(REDUCTION IN ALLOWANCE FOR) LOAN LOSSES	4,470	4,707
NON-INTEREST INCOME:		
Trust income	431	477

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Service charges and fees	932	920
Net gain (loss) on sales of securities	-	(12)
Insurance agency income	406	382
Bank owned life insurance income	114	114
Other operating income	63	64
TOTAL NON-INTEREST INCOME	1,946	1,945
NON-INTEREST EXPENSE:		
Salaries and wages	2,027	1,915
Pension and other employee benefits	553	535
Equipment expenses	241	255
Occupancy expense, net	371	334
State franchise tax	159	160
Marketing	96	92
Intangible amortization	158	146
Other non-interest expense	984	1,079
TOTAL NON-INTEREST EXPENSE	4,589	4,516
INCOME BEFORE INCOME TAXES	1,827	2,136
PROVISION FOR INCOME TAXES	429	527
NET INCOME	\$ 1,398	1,609
Dividends declared per common share	\$ 0.155	0.15
Earnings per common share:		
Basic	\$ 0.22	0.25
Diluted	0.22	0.25
Average shares outstanding:		
Basic	6,375,893	6,535,578
Diluted	6,377,556	6,538,154

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

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

		Three Months Ended March 31,	
	2007		2006
Net Income	\$ 1,398		1,609
Other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale			
securities (net of taxes of \$44 and \$90 for the three	85		(176)
months ended March 31, 2007 and 2006, respectively)			
Reclassification adjustment for net realized loss on sale			
of available-for-sale securities included in net income			
(net of taxes of \$4 for the three months ended	-		8
March 31, 2006)			
Total comprehensive income	\$ 1,483		1,441

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

LCNB CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except per share data)

(Unaudited)

	Common		Retained	Treasury	Accumulated Other Comprehensive	Total
	Shares	Surplus	Earnings	Shares	Income (Loss)	Shareholders' Equity
Balance January 1, 2007	\$ 10,560	10,577	42,245	(11,242)	(1,141)	50,999
Net income			1,398			1,398
Change in estimated fair value of						
securities available for sale, net of tax					85	85
Compensation expense relating to						
stock options		5				5
Treasury shares purchased				(165)		(165)
Cash dividends declared, \$0.155 per share			(987)			(987)
Balance March 31, 2007	\$ 10,560	10,582	42,656	(11,407)	(1,056)	51,335
Balance January 1, 2006	\$ 10,560	10,562	39,612	(8,011)	(701)	52,022
Net income			1,609			1,609
Change in estimated fair value of						
securities available for sale, net of					(168)	(168)
tax and reclassification adjustment						
Compensation expense relating to						
		3				3

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stock options							
Treasury shares purchased				(690)			(690)
Cash dividends declared, \$0.15 per share				(980)			(980)
Balance March 31, 2006	\$	10,560	10,565	40,241	(8,701)	(869)	51,796

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 CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,398	1,609
Adjustments to reconcile net income to net cash flows from operating activities-		
Depreciation, amortization and accretion	502	548
Provision for (reduction in allowance for) loan losses	60	(112)
Federal Home Loan Bank stock dividends	-	(36)
Increase in cash surrender value of bank owned life insurance	(114)	(114)
Realized (gain) loss on sales of securities available for sale	-	12
Origination of mortgage loans for sale	(642)	(1,223)
Realized gains from sales of mortgage loans	(12)	(21)
Proceeds from sales of mortgage loans	647	1,231
Compensation expense related to stock options	5	3
Increase (decrease) due to changes in assets and liabilities:		
Income receivable	(294)	(64)
Other assets	(163)	(48)
Other liabilities	152	330
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,539	2,115
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities available for sale	-	8,204
Proceeds from maturities of securities available for sale	8,261	10,317
Purchase of securities available for sale	-	(5,366)
Proceeds from redemption of Federal Home Loan Bank stock	1,000	-
Net (increase) decrease in loans	(1,657)	(7,816)
Proceeds from sale of other real estate acquired through foreclosure	-	65

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Additions to other real estate acquired through foreclosure	(1)	-
Purchases of premises and equipment	(757)	(85)
NET CASH FLOWS FROM INVESTING ACTIVITIES	6,846	5,319
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	1,707	3,602
Net increase (decrease) in short-term borrowings	(14,329)	(833)
Proceeds from long-term debt	5,000	-
Principal payments on long-term debt	-	(2,016)
Cash dividends paid	(987)	(980)
Purchases of treasury shares	(165)	(690)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(8,774)	(917)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(389)	6,517
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,505	15,324
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 15,116	21,841
SUPPLEMENTAL CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	\$ 3,345	2,742
Income taxes	82	-

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

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