

LCNB CORP
Form 8-K
April 18, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 18, 2007

LCNB CORP.

(Exact name of Registrant as specified in its Charter)

Ohio
(State or other jurisdiction
of incorporation)

0-26121
(Commission File No.)

31-1626393
(IRS Employer
Identification Number)

2 North Broadway, Lebanon, Ohio

45036

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (513) 932-1414

N/A

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

Item 2.02 Results of Operations and Financial Condition.

On April 18, 2007, LCNB Corp. issued an earnings release announcing its financial results for the first quarter ended March 31, 2007. A copy of the earnings release (Exhibit 99.1) and unaudited financial highlights (Exhibit 99.2) are attached and are furnished under this Item 2.02.

Item 8.01. Other Events.

On April 18, 2007, LCNB Corp. issued an earnings release announcing its financial results for the year ended March 31, 2007. A copy of the earnings release (Exhibit 99.1) and unaudited financial highlights (Exhibit 99.2) are attached and are furnished under this Item 8.01.

Item 9.01 Financial Statements and Exhibits.

(c)

Exhibits

Exhibit No.

Description

99.1

Press release dated April 18, 2007

99.2

Unaudited Financial Highlights

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

LCNB CORP.

Date: April 18, 2007

By: _

/s/ STEVE P. FOSTER

Steve P. Foster

Chief Financial Officer

Press Release

April 18, 2007

LCNB CORP. REPORTS EARNINGS FOR
THE THREE MONTHS ENDED MARCH 31, 2007

LCNB Corp. today announced earnings of \$1,398,000, or \$0.22 basic and diluted earnings per share, for the quarter ended March 31, 2007, compared to \$1,609,000, or \$0.25 basic and diluted earnings per share, for the first quarter of 2006. Return on average assets for the quarters ended March 31, 2007 and 2006 were 1.04% and 1.21%, respectively. Return on average equity for the first quarter, 2007 was 11.02%, compared to 12.46% for the first quarter, 2006.

The decrease in net income during the first quarter, 2007 was significantly influenced by a \$65,000 decrease in net interest income and a \$73,000 increase in non-interest expense. In addition, earnings for the first quarter, 2006 benefited from a \$112,000 reduction in the allowance for loan losses. This reduction was primarily due to improvements in the credit quality of certain loans during the first quarter, 2006. In comparison, the provision for loan losses for the first quarter, 2007 was \$60,000.

The decrease in net interest income was primarily due to a decrease in the tax equivalent net interest margin from 3.97% at March 31, 2006 to 3.87% at March 31, 2007. A flat yield curve, meaning that long-term rates are not significantly above or may be slightly below short-term rates, continued to put pressure on the margin. The decrease in net interest income due to the net interest margin was partially offset by growth in LCNB's loan portfolio.

Non-interest expense for the first quarter, 2007 increased primarily due to increased salaries and wages and increased employee benefits, partially offset by a decrease in ATM expense.

LCNB's loan portfolio increased \$24.3 million, from \$367.6 million at March 31, 2006 to \$391.9 million at March 31, 2007. The loan growth was primarily due to growth in the commercial and residential real estate loan portfolios.

Funding the loan growth was a \$17.9 million decrease in investment securities and a \$5.0 million increase in long-term debt.

LCNB Corp. is a financial holding company headquartered in Lebanon, Ohio. Affiliates of LCNB Corp. are Lebanon Citizens National Bank (LCNB), with 21 offices located in Warren, Butler, Clinton, Clermont, and Hamilton Counties, Ohio, and Dakin Insurance Agency, Inc. A 22nd LCNB office is under construction in Oakwood, Ohio. Additional information about LCNB Corp. and information about products and services offered by LCNB and Dakin can be found on the internet at www.lcnb.com and www.dakin-ins.com.

Certain matters disclosed herein may be deemed to be forward-looking statements that involve risks and uncertainties, including regulatory policy changes, interest rate fluctuations, loan demand, loan delinquencies and losses, and other risks. Actual strategies and results in future time periods may differ materially from those currently expected. Such forward-looking statements represent management's judgment as of the current date. LCNB Corp. disclaims any intent or obligation to update such forward-looking statements. LCNB intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

LCNB Corp. and Subsidiaries

Financial Highlights

For the Three Months Ended March 31,

(Dollars in thousands, except per share amounts)

| | 2007 | 2006 | % Change |
|---|--------------|--------------|----------------|
| <u>Condensed Income Statement</u> | | | |
| Interest income | \$7,852 | 7,324 | 7.21% |
| Interest expense | <u>3,322</u> | <u>2,729</u> | 21.73% |
| Net interest income | 4,530 | 4,595 | -1.41% |
| Provision (reduction in allowance) for loan losses | <u>60</u> | <u>(112)</u> | not meaningful |
| Net interest income after provision | 4,470 | 4,707 | -5.04% |
| Non-interest income | 1,946 | 1,945 | 0.05% |
| Non-interest expense | <u>4,589</u> | <u>4,516</u> | 1.62% |
| Income before income taxes | 1,827 | 2,136 | -14.47% |
| Provision for income taxes | <u>429</u> | <u>527</u> | -18.60% |
| Net income | \$1,398 | 1,609 | -13.11% |
| | ===== | ===== | |
| Basic earnings per common share | \$0.22 | 0.25 | -12.00% |
| | ===== | ===== | |
| Diluted earnings per common share | \$0.22 | 0.25 | -12.00% |
| | ===== | ===== | |
| Dividends per common share | \$0.155 | 0.15 | 3.33% |
| | ===== | ===== | |
| Average shares outstanding | 6,375,893 | 6,535,578 | |
| | ===== | ===== | |
| <u>Selected Balance Sheet Items</u> | | | |
| Investment securities and stock | \$105,327 | 123,260 | -14.55% |
| Loans | 391,895 | 367,551 | 6.62% |
| Less allowance for loan losses | <u>2,050</u> | <u>2,050</u> | -% |
| Net loans | 389,845 | 365,501 | 6.66% |

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| | | | |
|----------------------------------|-----------|-----------|----------------|
| Total assets | 541,081 | 540,358 | 0.13% |
| Total deposits | 480,322 | 485,077 | -0.98% |
| Long-term debt | 5,000 | 57 | not meaningful |
| Short-term borrowings | 1,041 | 198 | 425.76% |
| Total shareholders' equity | 51,335 | 51,796 | -0.89% |
| Book value per share | \$8.06 | \$7.95 | 1.38% |
| Shares outstanding at period end | 6,369,436 | 6,518,016 | |

Selected Financial Ratios

| | | | |
|--------------------------------------|--------|--------|---------|
| Return on average assets | 1.04% | 1.21% | -14.05% |
| Return on average equity | 11.02% | 12.46% | -11.56% |
| Equity to assets ratio | 9.49% | 9.59% | -1.04% |
| Dividend payout ratio | 70.45% | 60.00% | 17.42% |
| Net interest margin (tax-equivalent) | 3.87% | 3.97% | -2.52% |

Assets Under Management

| | | | |
|------------------------------------|---------------|---------------|--------|
| LCNB Corp. total assets | \$541,081 | 540,358 | 0.13% |
| Trust and investments (fair value) | 197,006 | 198,514 | -0.76% |
| Mortgage loans serviced | 42,071 | 45,766 | -8.07% |
| Business cash management | 31,024 | 33,621 | -7.72% |
| Brokerage accounts (fair value) | <u>52,801</u> | <u>39,948</u> | 30.17% |
| Total assets managed | \$863,983 | 858,207 | 0.67% |
| | ===== | ===== | |

Share and per share data have been restated to reflect a 100% stock dividend, to be accounted for as a stock split, declared by the Board of Directors on April 10, 2007 and payable on May 10, 2007 to shareholders of record on April 25, 2007.