

Oconee Federal Financial Corp.
Form 10-Q
February 13, 2018

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 ACT
OF 1934**

For the Quarterly Period ended December 31, 2017

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

32-0330122

(State of Other Jurisdiction

(I.R.S Employer

of Incorporation)

**Identification
Number)**

201 East North Second Street, Seneca, South Carolina

29678

(Address of Principal Executive Officers)

(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 (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 5,750,453 shares of Common Stock, par value \$0.01 per share, outstanding as of February 8, 2018.

OCONEE FEDERAL FINANCIAL CORP.

Form 10-Q Quarterly Report

Table of Contents

<u>PART I.</u>	2
<u>ITEM 1. FINANCIAL STATEMENTS</u>	2
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	31
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	40
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	40
<u>PART II.</u>	41
<u>ITEM 1. LEGAL PROCEEDINGS</u>	41
<u>ITEM 1A. RISK FACTORS</u>	41
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	41
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	41
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	41
<u>ITEM 5. OTHER INFORMATION</u>	41
<u>ITEM 6. EXHIBITS</u>	42
<u>SIGNATURES</u>	43
<u>INDEX TO EXHIBITS</u>	44

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, 2017	June 30, 2017
ASSETS		
Cash and due from banks	\$4,867	\$3,526
Interest-earning deposits	1,915	17,219
Total cash and cash equivalents	6,782	20,745
Securities available-for-sale	122,183	118,334
Loans	317,063	307,558
Allowance for loan losses	(1,032)	(1,016)
Net loans	316,031	306,542
Loans held for sale, at fair value	270	245
Premises and equipment, net	6,761	6,574
Real estate owned, net	850	865
Accrued interest receivable		
Loans	990	944
Investments	616	568
Restricted equity securities, at cost	1,872	1,023
Bank owned life insurance	18,310	18,071
Goodwill	2,593	2,593
Core deposit intangible	478	568
Loan servicing rights	1,024	1,141
Deferred tax assets	1,678	2,370
Other assets	443	734
Total assets	\$480,881	\$481,317
LIABILITIES		
Deposits		
Noninterest bearing	\$27,433	\$25,900

Edgar Filing: Oconee Federal Financial Corp. - Form 10-Q

Interest bearing	343,865	368,605
Total deposits	371,298	394,505
Fed Funds Purchased	2,814	—
FHLB Advances	20,000	—
Accrued interest payable and other liabilities	1,462	851
Total liabilities	395,574	395,356
SHAREHOLDERS' EQUITY		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 6,463,039 shares issued and outstanding	65	65
Treasury stock, at par, 712,586 and 699,345 shares, respectively	(7)	(7)
Additional paid-in capital	11,819	11,940
Retained earnings	74,860	75,169
Accumulated other comprehensive loss	(530)	(202)
Unearned ESOP shares	(900)	(1,004)
Total shareholders' equity	85,307	85,961
Total liabilities and shareholders' equity	\$480,881	\$481,317

See accompanying notes to the consolidated financial statements

OCONEE FEDERAL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Amounts in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Interest and dividend income:				
Loans, including fees	\$3,621	\$ 3,639	\$7,176	\$ 7,376
Securities, taxable	398	388	768	831
Securities, tax-exempt	214	180	420	358
Interest-earning deposits and other	7	36	42	77
Total interest income	4,240	4,243	8,406	8,642
Interest expense:				
Deposits	363	323	725	643
Other Borrowings	51	—	62	—
Total interest expense	414	323	787	643
Net interest income	3,826	3,920	7,619	7,999
Provision for loan losses	9	24	56	89
Net interest income after provision for loan losses	3,817	3,896	7,563	7,910
Noninterest income:				
Service charges on deposit accounts	112	107	220	211
Income on bank owned life insurance	118	127	239	253
Mortgage banking income	67	82	135	175
Gain on sales of securities, net	—	57	10	125
Gain on disposition of purchase credit impaired loans	—	120	—	196
Other	26	2	56	3
Total noninterest income	323	495	660	963
Noninterest expense:				
Salaries and employee benefits	1,653	1,548	3,209	2,972
Occupancy and equipment	443	370	840	738
Data processing	226	140	432	270
Professional and supervisory fees	250	249	457	456
Office expense	66	44	108	96
Advertising	83	46	128	77
FDIC deposit insurance	34	35	68	91
Foreclosed assets, net	(22)	2	28	37
Change in loan servicing asset	65	(196)	117	(173)
Other	216	217	427	485

Edgar Filing: Oconee Federal Financial Corp. - Form 10-Q

Total noninterest expense	3,014	2,455	5,814	5,049
Income before income taxes	1,126	1,936	2,409	3,824
Income tax expense	1,185	618	1,611	1,233
Net income/(loss)	\$(59)	\$ 1,318	\$ 798	\$ 2,591
Other comprehensive income				
Unrealized losses on securities available-for-sale	\$(723)	\$(3,524)	\$(587)	\$(4,043)
Tax effect	210	1,268	125	1,455
Reclassification adjustment for gains realized in net income	—	(57)	(10)	(125)
Tax effect	(1)	21	2	45
Total other comprehensive loss	(514)	(2,292)	(470)	(2,668)
Comprehensive income/(loss)	\$(573)	\$(974)	\$ 328	\$(77)
Basic net income/(loss) per share: (Note 3)	\$(0.01)	\$ 0.23	\$ 0.14	\$ 0.46
Diluted net income/(loss) per share: (Note 3)	\$(0.01)	\$ 0.23		