

Oconee Federal Financial Corp.
Form 10-Q
November 13, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended September 30, 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

(State of Other Jurisdiction

of Incorporation)

201 East North Second Street, Seneca, South Carolina
(Address of Principal Executive Officers)

(864) 882-2765

Registrant's telephone number, including area code

Not Applicable

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

32-0330122

(I.R.S Employer

Identification
Number)

29678

(Zip 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 during

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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
(Do not check if a
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 5,756,127 shares of Common Stock, par value \$0.01 per share, outstanding as of November 8, 2017.

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

| | September 30, 2017 | June 30, 2017 |
|---------------------------------------|-----------------------|------------------|
| ASSETS | | |
| Cash and due from banks | \$ 2,935 | \$3,526 |
| Interest-earning deposits | 3,487 | 17,219 |
| Total cash and cash equivalents | 6,422 | 20,745 |
| Securities available-for-sale | 120,711 | 118,334 |
| Loans | 312,876 | 307,558 |
| Allowance for loan losses | (1,024 |) (1,016) |
| Net loans | 311,852 | 306,542 |
| Loans held for sale, at fair value | - | 245 |
| Premises and equipment, net | 6,580 | 6,574 |
| Real estate owned, net | 894 | 865 |
| Accrued interest receivable | | |
| Loans | 972 | 944 |
| Investments | 533 | 568 |
| Restricted equity securities, at cost | 1,447 | 1,023 |
| Bank owned life insurance | 18,191 | 18,071 |
| Goodwill | 2,593 | 2,593 |
| Core deposit intangible | 520 | 568 |
| Loan servicing rights | 1,089 | 1,141 |
| Deferred tax assets | 2,343 | 2,370 |
| Other assets | 549 | 734 |
| Total assets | \$ 474,696 | \$481,317 |
| LIABILITIES | | |
| Deposits | | |
| Noninterest bearing | \$ 27,938 | \$25,900 |
| Interest bearing | 349,740 | 368,605 |

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| | | |
|--------------------------------------------------------------------------------------------------------|------------|------------|
| Total deposits | 377,678 | 394,505 |
| FHLB Advances | 10,000 | - |
| Accrued interest payable and other liabilities | 749 | 851 |
| Total liabilities | 388,427 | 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, 706,912 and 699,345 shares, respectively | (7 |) (7) |
| Additional paid-in capital | 11,834 | 11,940 |
| Retained earnings | 75,451 | 75,169 |
| Accumulated other comprehensive loss | (122 |) (202) |
| Unearned ESOP shares | (952 |) (1,004) |
| Total shareholders' equity | 86,269 | 85,961 |
| Total liabilities and shareholders' equity | \$ 474,696 | \$481,317 |

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 | |
|-------------------------------------------------------|--------------------------|-----------------------|
| | September 30, 2017 | September 30, 2016 |
| Interest and dividend income: | | |
| Loans, including fees | \$ 3,555 | \$ 3,737 |
| Securities, taxable | 369 | 443 |
| Securities, tax-exempt | 206 | 178 |
| Interest-earning deposits and other | 35 | 41 |
| Total interest income | 4,165 | 4,399 |
| Interest expense: | | |
| Deposits | 362 | 320 |
| Other Borrowings | 11 | - |
| Total interest expense | 373 | 320 |
| Net interest income | 3,792 | 4,079 |
| Provision for loan losses | 46 | 65 |
| Net interest income after provision for loan losses | 3,746 | 4,014 |
| Noninterest income: | | |
| Service charges on deposit accounts | 108 | 104 |
| Income on bank owned life insurance | 119 | 126 |
| Mortgage banking income | 68 | 93 |
| Gain on sales of securities, net | 10 | 68 |
| Gain on disposition of purchase credit impaired loans | - | 43 |
| Other | 31 | 1 |
| Total noninterest income | 336 | 435 |
| Noninterest expense: | | |
| Salaries and employee benefits | 1,556 | 1,455 |
| Occupancy and equipment | 397 | 368 |
| Data processing | 206 | 172 |
| Professional and supervisory fees | 206 | 207 |
| Office expense | 42 | 52 |

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| | | | |
|--------------------------------------------------------------|---------|----------|-----|
| Advertising | 45 | 31 | |
| FDIC deposit insurance | 34 | 56 | |
| Foreclosed assets, net | 50 | 2 | |
| Change in loan servicing asset | 52 | 23 | |
| Other | 211 | 195 | |
| Total noninterest expense | 2,799 | 2,561 | |
| Income before income taxes | 1,283 | 1,888 | |
| Income tax expense | 426 | 615 | |
| Net income | \$ 857 | \$ 1,273 | |
| Other comprehensive income | | | |
| Unrealized (losses) gains on securities available-for-sale | \$ 136 | \$ (519 |) |
| Tax effect | (50 |) | 187 |
| Reclassification adjustment for gains realized in net income | (10 |) | (68 |
| Tax effect | 4 | | 24 |
| Total other comprehensive income (loss) | 80 | (376 |) |
| Comprehensive income | \$ 937 | \$ 897 | |
| Basic net income per share: (Note 3) | \$ 0.15 | \$ 0.22 | |
| Diluted net income per share: (Note 3) | \$ 0.15 | \$ 0.22 | |
| Dividends declared per share: | \$ 0.10 | \$ 0.10 | |

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 June 30, 2016 | \$ 65 | \$ (6) | \$ 12,882 | \$ 71,909 | \$ 1,808 | \$ (1,257) | \$ 85,401 |
| Net income | - | - | - | 1,273 | - | - | 1,273 |
| Other comprehensive loss | - | - | - | - | (376) | - | (376) |
| Purchase of 34,599 shares of treasury stock ⁽¹⁾ | - | (1) | (700) | - | - | - | (701) |
| Stock-based compensation expense | - | - | 76 | - | - | - | 76 |
| Dividends | - | - | - | (583) | - | - | (583) |
| ESOP Shares earned | - | - | 39 | - | - | 53 | 92 |
| Balance at September 30, 2016 | \$ 65 | \$ (7) | \$ 12,297 | \$ 72,599 | \$ 1,432 | \$ (1,204) | \$ 85,182 |
| Balance at June 30, 2017 | \$ 65 | \$ (7) | \$ 11,940 | \$ 75,169 | \$ (202) | \$ (1,004) | \$ 85,961 |
| Net income | - | - | - | 857 | - | - | 857 |
| Other comprehensive income | - | - | - | - | 80 | - | 80 |
| Purchase of 7,576 shares of treasury stock ⁽²⁾ | - | - | (208) | - | - | - | (208) |
| Stock-based compensation expense | - | - | 6 | - | - | - | 6 |
| Dividends | - | - | - | (575) | - | - | (575) |
| ESOP Shares earned | - | - | 96 | - | - | 52 | 148 |
| Balance at September 30, 2017 | \$ 65 | \$ (7) | \$ 11,834 | \$ 75,451 | \$ (122) | \$ (952) | \$ 86,269 |

(1) The weighted average cost of treasury shares purchased during the three months ended was \$20.23 per share. Treasury stock repurchases were accounted for using the par value method.

(2) The weighted average cost of treasury shares purchased during the three months ended was \$27.46 per share. Treasury stock repurchases were accounted for using the par value method.

See accompanying notes to the consolidated financial statements

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OCONEE FEDERAL FINANCIAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

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

| | Three Months Ended | |
|-----------------------------------------------------------------------------------|--------------------------|-----------------------|
| | September 30, 2017 | September 30, 2016 |
| Cash Flows From Operating Activities | | |
| Net income | \$ 857 | \$ 1,273 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 46 | 65 |
| Provision for real estate owned | 26 | 103 |
| Depreciation and amortization, net | 345 | 355 |
| Net accretion of purchase accounting adjustments | (39) | (17) |
| Deferred income tax expense (benefit) | (19) | 112 |
| Net gain on sale of real estate owned | (4) | (79) |
| Change in loan servicing asset | 52 | 23 |
| Net gain on sales of securities | (10) | (68) |
| Mortgage loans originated for sale | (1,082) | (1,314) |
| Mortgage loans sold | 1,337 | 1,144 |
| Gain on sales of mortgage loans | (10) | (33) |
| Increase in cash surrender value of bank owned life insurance | (120) | (126) |
| Gain on disposition of purchased credit impaired loans | - | (43) |
| ESOP compensation expense | 148 | 92 |
| Stock based compensation expense | 6 | 76 |
| Net change in operating assets and liabilities: | | |
| Accrued interest receivable and other assets | 192 | 394 |
| Accrued interest payable and other liabilities | (102) | (2) |
| Net cash provided by operating activities | 1,623 | 1,955 |
| Cash Flows From Investing Activities | | |
| Purchases of premises and equipment | (103) | (66) |
| Purchases of securities available-for-sale | (10,624) | (11,344) |
| Proceeds from maturities, paydowns and calls of securities available-for-sale | 4,186 | 6,665 |
| Proceeds from sales of securities available-for-sale | 3,997 | 3,153 |
| Purchases of restricted equity securities | (2) | - |
| Redemptions of restricted equity securities | (422) | - |
| Proceeds from sale of real estate owned | 42 | 676 |
| Dispositions of purchased credit impaired loans | - | 37 |
| Loan originations and repayments, net | (5,410) | (3,409) |

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|---------------------------------------------------|-----------|-----------|
| Net cash used in investing activities | (8,336) | (4,288) |
| Cash Flows from Financing Activities | | |
| Net change in deposits | (16,827) | (1,207) |
| Proceeds from notes payable to FHLB | 10,000 | - |
| Dividends paid | (575) | (583) |
| Purchase of treasury stock | (208) | (701) |
| Net cash used in provided by financing activities | (7,610) | (2,491) |
| Change in cash and cash equivalents | (14,323) | (4,824) |
| Cash and cash equivalents, beginning of period | 20,745 | 27,676 |
| Cash and cash equivalents, end of period | \$ 6,422 | \$ 22,852 |

See accompanying notes to the consolidated financial statements

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OCONEE FEDERAL FINANCIAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Oconee Federal Financial Corp., which include the accounts of its wholly owned subsidiary Oconee Federal Savings and Loan Association (the “Association”) (referred to herein as “the Company,” “we,” “us,” or “our”), have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Intercompany accounts and transactions are eliminated during consolidation. The Company is majority owned (72.35%) by Oconee Federal, MHC. These financial statements do not include the transactions and balances of Oconee Federal, MHC.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the Company’s financial position as of September 30, 2017 and June 30, 2017 and the results of operations and cash flows for the interim periods ended September 30, 2017 and 2016. All interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the year ending June 30, 2018 or any other period. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2017.

Certain amounts have been reclassified to conform to the current period presentation. The reclassifications had no effect on net income or shareholders’ equity as previously reported.

Cash Flows: Cash and cash equivalents include cash on hand, federal funds sold, overnight interest-bearing deposits and amounts due from other depository institutions.

Use of Estimates: To prepare financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and actual results could differ.

(2) NEW ACCOUNTING STANDARDS

ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities". Issued in March 2017, ASU 2017-08 amends the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is assessing the impact of ASU 2017-08 on its consolidated financial statements.

ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". Issued in June 2016, ASU 2016-13 provides financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investment in leases and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 eliminate the probable incurred loss recognition in current GAAP and reflect an entity's current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination ("PCD assets") that are measured at amortized cost, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Subsequent changes in the allowance for credit losses on PCD assets are recognized through the statement of income as a credit loss expense. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2016-13 on its consolidated financial statements.

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OCONEE FEDERAL FINANCIAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

There have been no accounting standards that have been issued or proposed by the FASB or other standards-setting bodies during this quarter that are expected to have a material impact on the Company's financial position, results of operations or cash flows. The Company continues to evaluate the impact of standards previously issued and not yet effective, and have no changes in our assessment to disclose since filing of the Form 10-K.

(3) EARNINGS PER SHARE ("EPS")

Basic EPS is based on the weighted average number of common shares outstanding and is adjusted for ESOP shares not yet committed to be released. Unvested restricted stock awards, which contain rights to non-forfeitable dividends, are considered participating securities and the two-class method of computing basic and diluted EPS is applied. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable (such as stock options) or which could be converted into common stock, if dilutive, using the treasury stock method. The factors used in the earnings per common share computation follow:

| | Three Months Ended | |
|----------------------------------------------------------------------------------------------------|--------------------------|-----------------------|
| | September 30, 2017 | September 30, 2016 |
| Earnings per share | | |
| Net income | \$857 | \$ 1,273 |
| Less: distributed earnings allocated to participating securities | (2) | (4) |
| Less: (undistributed income) dividends in excess of earnings allocated to participating securities | (1) | (5) |
| Net earnings available to common shareholders | \$854 | \$ 1,264 |
| Weighted average common shares outstanding including participating securities | 5,786,109 | 5,820,952 |
| Less: participating securities | (21,910) | (40,905) |
| Less: average unearned ESOP shares | (83,090) | (122,312) |
| Weighted average common shares outstanding | 5,681,109 | 5,657,735 |

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|-------------------------------------------------------------|-----------|-----------|
| Basic earnings per share | \$0.15 | \$ 0.22 |
| Weighted average common shares outstanding | 5,681,109 | 5,657,735 |
| Add: dilutive effects of assumed exercises of stock options | 119,447 | 83,409 |
| Average shares and dilutive potential common shares | 5,800,556 | 5,741,144 |
| Diluted earnings per share | \$0.15 | \$ 0.22 |

During the three months ended September 30, 2017 no shares were considered anti-dilutive. During the three months ended September 30, 2016, 28,700 shares were considered anti-dilutive as the exercise price was above the average market price for the three month period.

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OCONEE FEDERAL FINANCIAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(4) SECURITIES AVAILABLE-FOR-SALE

Debt, mortgage-backed and equity securities have been classified in the consolidated balance sheets according to management's intent. U.S. Government agency mortgage-backed securities consist of securities issued by U.S. Government agencies and U.S. Government sponsored enterprises. Investment securities at September 30, 2017 and June 30, 2017 are as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---------------------------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2017 | | | | |
| Available-for-sale: | | | | |
| FHLMC common stock | \$ 20 | \$ 214 | \$ - | \$234 |
| Certificates of deposit | 5,980 | 16 | (18) | 5,978 |
| Municipal securities | 42,372 | 277 | (327) | 42,322 |
| SBA loan pools | 481 | 2 | - | 483 |
| CMOs | 12,141 | - | (215) | 11,926 |
| U.S. Government agency mortgage-backed securities | 48,815 | 208 | (189) | 48,834 |
| U.S. Government agency bonds | 11,093 | 3 | (162) | 10,934 |
| Total available-for-sale | \$ 120,902 | \$ 720 | \$ (911) | \$ 120,711 |

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---------------------------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| June 30, 2017 | | | | |
| Available-for-sale: | | | | |
| FHLMC common stock | \$ 20 | \$ 162 | \$ - | \$182 |
| Certificates of deposit | 6,230 | 16 | (18) | 6,228 |
| Municipal securities | 39,847 | 296 | (344) | 39,799 |
| SBA loan pools | 563 | 2 | - | 565 |
| CMOs | 13,024 | - | (239) | 12,785 |
| U.S. Government agency mortgage-backed securities | 44,884 | 185 | (244) | 44,825 |
| U.S. Government agency bonds | 14,082 | 15 | (147) | 13,950 |
| Total available-for-sale | \$ 118,650 | \$ 676 | \$ (992) | \$ 118,334 |

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Securities pledged at September 30, 2017 and June 30, 2017 had fair values of \$30,404 and \$6,069, respectively. These securities were pledged to secure public deposits and FHLB advances.

At September 30, 2017 and June 30, 2017, there were no holdings of securities of any one issuer, other than U.S. Government agencies and U.S. Government sponsored enterprises, in an amount greater than 10% of shareholders' equity.

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OCONEE FEDERAL FINANCIAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

The following tables show the fair value and unrealized loss of securities that have been in unrealized loss positions for less than twelve months and for twelve months or more at September 30, 2017 and June 30, 2017. The tables also show the number of securities in an unrealized loss position for each category of investment security as of the respective dates.

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|---------------------------------------------------|---------------------|-----------------|-------------------------------|-------------------|-----------------|-------------------------------|------------|-----------------|-------------------------------|
| | Fair Value | Unrealized Loss | Number in Unrealized Loss (1) | Fair Value | Unrealized Loss | Number in Unrealized Loss (1) | Fair Value | Unrealized Loss | Number in Unrealized Loss (1) |
| September 30, 2017 | | | | | | | | | |
| Available-for-sale: | | | | | | | | | |
| Certificates of deposit | \$2,974 | \$ (18) | 12 | \$- | \$ - | - | \$2,974 | \$ (18) | 12 |
| Municipal securities | 16,162 | (121) | 37 | 7,261 | (206) | 17 | 23,423 | (327) | 54 |
| CMOs | 3,698 | (39) | 5 | 8,229 | (176) | 11 | 11,927 | (215) | 16 |
| U.S. Government agency mortgage-backed securities | 28,071 | (143) | 29 | 2,259 | (46) | 3 | 30,330 | (189) | 32 |
| U.S. Government agency bonds | 7,012 | (81) | 7 | 2,919 | (81) | 2 | 9,931 | (162) | 9 |
| | \$57,917 | \$ (402) | 90 | \$20,668 | \$ (509) | 33 | \$78,585 | \$ (911) | 123 |

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|---------------------------------------------------|---------------------|-----------------|-------------------------------|-------------------|-----------------|-------------------------------|------------|-----------------|-------------------------------|
| | Fair Value | Unrealized Loss | Number in Unrealized Loss (1) | Fair Value | Unrealized Loss | Number in Unrealized Loss (1) | Fair Value | Unrealized Loss | Number in Unrealized Loss (1) |
| June 30, 2017 | | | | | | | | | |
| Available-for-sale: | | | | | | | | | |
| Certificates of deposit | \$2,227 | \$ (18) | 9 | \$- | \$ - | - | \$2,227 | \$ (18) | 9 |
| Municipal securities | 18,331 | (276) | 41 | 2,221 | (68) | 5 | 20,552 | (344) | 46 |
| CMOs | 7,833 | (136) | 9 | 4,952 | (103) | 7 | 12,785 | (239) | 16 |
| U.S. Government agency mortgage-backed securities | 29,057 | (244) | 31 | - | - | - | 29,057 | (244) | 31 |
| | 8,027 | (78) | 8 | 1,931 | (69) | 1 | 9,958 | (147) | 9 |

U.S. Government agency
bonds

\$65,475 \$ (752) 98 \$9,104 \$ (240) 13 \$74,579 \$ (992) 111

(1)Actual amounts.

The Company evaluates securities for other-than-temporary impairments (“OTTI”) at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. The Company considers the length of time and the extent to which the fair value has been less than cost and the financial condition and near-term prospects of the issuer. Additionally, the Company considers its intent to sell or whether it will be more likely than not it will be required to sell the security prior to the security's anticipated recovery in fair value. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by federal Government agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

None of the unrealized losses at September 30, 2017 were recognized into net income for the three months ended September 30, 2017 because the issuers’ bonds are of high credit quality, management does not intend to sell and it is more likely than not that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The fair value of these securities is expected to recover as they approach their maturity date or reset date. None of the unrealized losses at June 30, 2017 were recognized as having OTTI during the year ended June 30, 2017.

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The following table presents the amortized cost and fair value of debt securities classified as available-for-sale at September 30, 2017 and June 30, 2017 by contractual maturity.

| | September 30, 2017 | | June 30, 2017 | |
|-----------------------------------------------------------------|--------------------|------------|----------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Less than one year | \$996 | \$996 | \$2,989 | \$2,990 |
| Due from one to five years | 17,393 | 17,376 | 17,196 | 17,183 |
| Due from five to ten years | 29,811 | 29,764 | 30,084 | 30,045 |
| Due after ten years | 11,726 | 11,580 | 10,453 | 10,324 |
| Mortgage-backed securities, CMOs and FHLMC stock ⁽¹⁾ | 60,976 | 60,995 | 57,928 | 57,792 |
| Total available for sale | \$120,902 | \$120,711 | \$118,650 | \$118,334 |

(1) Actual cash flows may differ from contractual maturities as borrowers may prepay obligations without prepayment penalty. FHLMC common stock is not scheduled because it has no contractual maturity date.

The following table presents the gross proceeds from sales of securities available-for-sale and gains or losses recognized for the three months ended September 30, 2017 and 2016:

| | Three Months Ended | |
|---------------------|--------------------|--------------------|
| | September 30, 2017 | September 30, 2016 |
| Available-for-sale: | | |
| Proceeds | \$ 3,997 | \$ 3,153 |
| Gross gains | 11 | 68 |
| Gross losses | (1) | - |

The tax provision related to these net realized gains for the three months ended September 30, 2017 and 2016 was \$3 and \$24, respectively.

(5) LOANS

The components of loans at September 30, 2017 and June 30, 2017 were as follows:

| | September 30, 2017 | June 30, 2017 |
|---------------------------|-----------------------|------------------|
| Real estate loans: | | |
| One-to-four family | \$ 259,731 | \$260,114 |
| Multi-family | 1,834 | 1,864 |
| Home equity | 4,325 | 4,900 |
| Nonresidential | 18,107 | 18,916 |
| Agricultural | 1,404 | 1,441 |
| Construction and land | 22,202 | 15,254 |
| Total real estate loans | 307,603 | 302,489 |
| Commercial and industrial | 132 | 51 |
| Consumer and other loans | 5,141 | 5,018 |
| Total loans | \$ 312,876 | \$307,558 |

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The following tables present the activity in the allowance for loan losses for the three months ended September 30, 2017 by portfolio segment:

| Three Months Ended September 30, 2017 | Beginning Balance | Provision | Charge-offs | Recoveries | Ending Balance |
|---------------------------------------|-------------------|-----------|-------------|------------|----------------|
| Real estate loans: | | | | | |
| One-to-four family | \$ 900 | \$ (11) | \$ - | \$ - | \$ 889 |
| Multi-family | 4 | - | - | - | 4 |
| Home equity | 2 | 14 | (13) | - | 3 |
| Nonresidential | 63 | (3) | - | - | 60 |
| Agricultural | 1 | - | - | - | 1 |
| Construction and land | 35 | 45 | (25) | - | 55 |
| Total real estate loans | 1,005 | 45 | (38) | - | 1,012 |
| Commercial and industrial | 4 | 2 | - | - | 6 |
| Consumer and other loans | 7 | (1) | - | - | 6 |
| Total loans | \$ 1,016 | \$ 46 | \$ (38) | \$ - | \$ 1,024 |

The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at September 30, 2017:

| At September 30, 2017 | Ending Allowance on Loans: | | Loans: | |
|-----------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Collectively Evaluated for Impairment |
| Real estate loans: | | | | |
| One-to-four family | \$ 4 | \$ 885 | \$ 1,956 | \$ 257,775 |
| Multi-family | - | 4 | - | 1,834 |
| Home equity | - | 3 | - | 4,325 |
| Nonresidential | - | 60 | 141 | 17,966 |
| Agricultural | - | 1 | - | 1,404 |

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| | | | | |
|---------------------------|------|----------|----------|------------|
| Construction and land | - | 55 | 453 | 21,749 |
| Total real estate loans | 4 | 1,008 | 2,550 | 305,053 |
| Commercial and industrial | - | 6 | - | 132 |
| Consumer and other loans | - | 6 | - | 5,141 |
| Total loans | \$ 4 | \$ 1,020 | \$ 2,550 | \$ 310,326 |

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The following tables present the activity in the allowance for loan losses for the three months ended September 30, 2016 by portfolio segment:

| Three Months Ended September 30, 2016 | Beginning Balance | Provision | Charge-offs | Recoveries | Ending Balance |
|---------------------------------------|-------------------|-----------|-------------|------------|----------------|
| Real estate loans: | | | | | |
| One-to-four family | \$ 733 | \$ 52 | \$ - | \$ - | \$ 785 |
| Multi-family | 4 | - | - | - | 4 |
| Home equity | 2 | - | - | - | 2 |
| Nonresidential | 130 | 17 | (15) | - | 132 |
| Agricultural | 5 | - | - | - | 5 |
| Construction and land | 39 | (4) | - | - | 35 |
| Total real estate loans | 913 | 65 | (15) | - | 963 |
| Commercial and industrial | 6 | - | - | - | 6 |
| Consumer and other loans | 3 | - | - | - | 3 |
| Total loans | \$ 922 | \$ 65 | \$ (15) | \$ - | \$ 972 |

The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at June 30, 2017:

| At June 30, 2017 | Ending Allowance on Loans: | | Loans: | |
|-----------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Collectively Evaluated for Impairment |
| Real estate loans: | | | | |
| One-to-four family | \$ 8 | \$ 892 | \$ 3,034 | \$ 257,080 |
| Multi-family | - | 4 | - | 1,864 |
| Home equity | - | 2 | - | 4,900 |
| Nonresidential | - | 63 | - | 18,916 |
| Agricultural | - | 1 | 448 | 993 |
| Construction and land | - | 35 | 262 | 14,992 |

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| | | | | |
|---------------------------|------|----------|----------|------------|
| Total real estate loans | 8 | 997 | 3,744 | 298,745 |
| Commercial and industrial | - | 4 | - | 51 |
| Consumer and other loans | - | 7 | - | 5,018 |
| Total loans | \$ 8 | \$ 1,008 | \$ 3,744 | \$ 303,814 |

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

The tables below present loans that were individually evaluated for impairment by portfolio segment at September 30, 2017 and June 30, 2017, including the average recorded investment balance and interest earned for the three months ended September 30, 2017 and the year ended June 30, 2017:

| | September 30, 2017 | | | Average | Interest |
|-----------------------------|--------------------------------|------------------------|----------------------|------------------------|----------------------|
| | Unpaid Principal Balance | Recorded Investment | Related Allowance | Recorded Investment | Income Recognized |
| With no recorded allowance: | | | | | |
| Real estate loans: | | | | | |
| One-to-four family | \$2,891 | \$ 2,420 | \$ - | \$ 2,244 | \$ 29 |
| Multi-family | - | - | - | - | - |
| Home equity | - | - | - | - | - |
| Nonresidential | - | - | - | - | - |
| Agricultural | 997 | 448 | - | 448 | 7 |
| Construction and land | 454 | 263 | - | 263 | 7 |
| Total real estate loans | 4,342 | 3,131 | - | 2,955 | 43 |
| Commercial and industrial | - | - | - | - | - |
| Consumer and other loans | - | - | - | - | - |
| Total | \$4,342 | \$ 3,131 | \$ - | \$ 2,955 | \$ 43 |
| With recorded allowance: | | | | | |
| Real estate loans: | | | | | |
| One-to-four family | \$984 | \$ 963 | \$ 4 | \$ 965 | \$ - |
| Multi-family | - | - | - | - | - |
| Home equity | - | - | - | - | - |
| Nonresidential | - | - | - | - | - |
| Agricultural | - | - | - | - | - |
| Construction and land | - | - | - | - | - |
| Total real estate loans | 984 | 963 | 4 | 965 | - |
| Commercial and industrial | - | - | - | - | - |
| Consumer and other loans | - | - | - | - | - |
| Total | \$984 | \$ 963 | \$ 4 | \$ 965 | \$ - |

Totals:

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| | | | | | |
|--------------------------|---------|----------|------|----------|-------|
| Real estate loans | \$5,326 | \$ 4,094 | \$ 4 | \$ 3,920 | \$ 43 |
| Consumer and other loans | - | - | - | - | - |
| Total | \$5,326 | \$ 4,094 | \$ 4 | \$ 3,920 | \$ 43 |

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

| | June 30, 2017 | | | | |
|-----------------------------|--------------------------------|------------------------|----------------------|-----------------------------------|----------------------------------|
| | Unpaid Principal Balance | Recorded Investment | Related Allowance | Average Recorded Investment | Interest Income Recognized |
| With no recorded allowance: | | | | | |
| Real estate loans: | | | | | |
| One-to-four family | \$2,539 | \$ 2,067 | \$ - | \$ 1,534 | \$ 225 |
| Multi-family | - | - | - | - | - |
| Home equity | - | - | - | - | - |
| Nonresidential | - | - | - | 555 | - |
| Agricultural | 997 | 448 | - | 448 | 34 |
| Construction and land | 457 | 262 | - | 220 | 13 |
| Total real estate loans | 3,993 | 2,777 | - | 2,757 | 272 |
| Commercial and industrial | - | - | - | - | - |
| Consumer and other loans | - | - | - | - | - |
| Total | \$3,993 | \$ 2,777 | \$ - | \$ 2,757 | \$ 272 |
| With recorded allowance: | | | | | |
| Real estate loans: | | | | | |
| One-to-four family | \$989 | \$ 967 | \$ 8 | \$ 1,443 | \$ - |
| Multi-family | - | - | - | - | - |
| Home equity | - | - | - | - | - |
| Nonresidential | - | - | - | 191 | - |
| Agricultural | - | - | - | - | - |
| Construction and land | - | - | - | 174 | - |
| Total real estate loans | 989 | 967 | 8 | 1,808 | - |
| Commercial and industrial | - | - | - | - | - |
| Consumer and other loans | - | - | - | - | - |
| Total | \$989 | \$ 967 | \$ 8 | \$ 1,808 | \$ - |
| Totals: | | | | | |
| Real estate loans | \$4,982 | \$ 3,744 | \$ 8 | \$ 4,565 | \$ 272 |
| Consumer and other loans | - | - | - | - | - |
| Total | \$4,982 | \$ 3,744 | \$ 8 | \$ 4,565 | \$ 272 |

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

The following tables present the aging of past due loans as well as nonaccrual loans. Nonaccrual loans and accruing loans past due 90 days or more include both smaller balance homogenous loans and larger balance loans that are evaluated either collectively or individually for impairment.

Total past due loans and nonaccrual loans at September 30, 2017:

| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Current | Total Loans | Nonaccrual Loans | Accruing Loans Past Due 90 Days or More |
|-------------------------|---------------------------|---------------------------|--------------------------------|-------------------|-----------|----------------|---------------------|--------------------------------------------------|
| Real estate loans: | | | | | | | | |
| One-to-four family | \$ 6,024 | \$ 1,380 | \$ 1,003 | \$ 8,407 | \$251,324 | \$259,731 | \$ 2,946 | \$ - |
| Multi-family | - | - | - | - | 1,834 | 1,834 | - | - |
| Home equity | 171 | - | 44 | 215 | 4,110 | 4,325 | 44 | - |
| Nonresidential | 237 | - | - | 237 | 17,870 | 18,107 | - | - |
| Agricultural | - | - | - | - | 1,404 | 1,404 | 501 | - |
| Construction and land | 351 | 37 | - | 388 | 21,814 | 22,202 | 36 | - |
| Total real estate loans | 6,783 | 1,417 | 1,047 | 9,247 | 298,356 | 307,603 | | |