

CSB BANCORP INC /OH
Form 10-Q
May 14, 2013
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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: March 31, 2013

OR

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

Commission file number: 0-21714

CSB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

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Ohio
(State or other jurisdiction of
incorporation or organization)
34-1687530
(I.R.S. Employer
Identification Number)
91 North Clay, P.O. Box 232, Millersburg, Ohio 44654
(Address of principal executive offices)
(330) 674-9015
(Registrant's telephone number)

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 (§232.405 of this chapter) 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. 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 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 the registrant's common stock, as of the latest practicable date.

Common stock, \$6.25 par value

Outstanding at May 1, 2013:
2,736,060 common shares

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FORM 10-Q

QUARTER ENDED March 31, 2013

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CSB BANCORP, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
<i>(Dollars in thousands)</i>		
Cash and cash equivalents		
Cash and due from banks	\$ 9,238	\$ 21,485
Interest-earning deposits in other banks	27,938	45,393
Total cash and cash equivalents	37,176	66,878
Securities		
Available-for-sale, at fair value	131,906	129,291
Restricted stock, at cost	5,463	5,463
Total securities	137,369	134,754
Loans		
Less allowance for loan losses	4,804	4,580
Net loans	368,563	360,000
Premises and equipment, net	8,349	8,475
Core deposit intangible	860	894
Goodwill	4,728	4,728
Bank-owned life insurance	8,356	8,298
Accrued interest receivable and other assets	3,451	2,873
TOTAL ASSETS	\$ 568,852	\$ 586,900
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 92,831	\$ 104,147
Interest-bearing	364,699	371,296
Total deposits	457,530	475,443
Short-term borrowings	43,551	43,992
Other borrowings	12,611	12,672
Accrued interest payable and other liabilities	2,330	2,340
Total liabilities	516,022	534,447

SHAREHOLDERS EQUITY

Common stock, \$6.25 par value. Authorized 9,000,000 shares; issued 2,980,602 shares; outstanding 2,736,060 shares in 2013 and 2012	18,629	18,629
Additional paid-in capital	9,974	9,974
Retained earnings	27,831	26,962
Treasury stock at cost 244,542 shares in 2013 and 2012	(4,976)	(4,976)
Accumulated other comprehensive income	1,372	1,864
Total shareholders equity	52,830	52,453
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 568,852	\$ 586,900

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended March 31,	
	2013	2012
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 4,567	\$ 4,252
Taxable securities	582	729
Nontaxable securities	127	112
Other	24	39
Total interest and dividend income	5,300	5,132
INTEREST EXPENSE		
Deposits	475	640
Short-term borrowings	16	24
Other borrowings	117	155
Total interest expense	608	819
NET INTEREST INCOME	4,692	4,313
PROVISION FOR LOAN LOSSES	210	206
Net interest income, after provision for loan losses	4,482	4,107
NONINTEREST INCOME		
Service charges on deposit accounts	315	308
Trust services	214	161
Debit card interchange fees	178	194
Gain on sale of loans, net	114	56
Other	217	229
Total noninterest income	1,038	948
NONINTEREST EXPENSES		
Salaries and employee benefits	2,050	1,963
Occupancy expense	258	246
Equipment expense	165	155
Professional and director fees	117	207
Franchise tax expense	147	139
FDIC insurance expense	88	87
Software expense	114	93
Marketing and public relations	79	73
Debit card expense	62	65
Amortization of intangible assets	34	33
Net cost of operation of other real estate	9	3
Other	436	480
Total noninterest expenses	3,559	3,544

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Income before income taxes	1,961	1,511
FEDERAL INCOME TAX PROVISION	599	456
NET INCOME	\$ 1,362	\$ 1,055
Basic and diluted net earnings per share	\$ 0.50	\$ 0.39

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

<i>(Dollars in thousands)</i>	Three Months Ended	
	2013	2012
Net income	\$ 1,362	\$ 1,055
Other comprehensive loss		
Unrealized losses arising during the period	(745)	(112)
Income tax effect	253	38
Other comprehensive loss	(492)	(74)
Total comprehensive income	\$ 870	\$ 981

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended	
	March 31,	
	2013	2012
Balance at beginning of period	\$ 52,453	\$ 49,429
Net income	1,362	1,055
Other comprehensive loss	(492)	(74)
Cash dividends declared	(493)	(492)
Balance at end of period	\$ 52,830	\$ 49,918
Cash dividends declared per share	\$ 0.18	\$ 0.18

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
<i>(Dollars in thousands)</i>		
NET CASH FROM OPERATING ACTIVITIES	\$ 1,182	\$ 550
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available-for-sale:		
Proceeds from maturities and repayments	8,128	13,279
Purchases	(11,630)	(13,128)
Loan originations, net of repayments	(8,745)	(7,202)
Proceeds from sale of other real estate	18	7
Property, equipment, and software acquisitions	(262)	(67)
Purchase of bank-owned life insurance		(5,000)
Net cash used in investing activities	(12,491)	(12,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(17,891)	6,692
Net change in short-term borrowings	(441)	4,644
Repayments of other borrowings	(61)	(2,152)
Net cash (used in) provided by financing activities	(18,393)	9,184
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,702)	(2,377)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	66,878	82,258
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 37,176	\$ 79,881
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 635	\$ 876
Income taxes	230	
Noncash investing activities:		
Transfer of loans to other real estate owned		5

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements include the accounts of CSB Bancorp, Inc. and its wholly-owned subsidiaries, The Commercial and Savings Bank (the Bank) and CSB Investment Services, LLC (together referred to as the Company or CSB). All significant intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the Company's financial position at March 31, 2013, and the results of operations and changes in cash flows for the periods presented have been made.

Certain information and footnote disclosures typically included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been omitted. The Annual Report for CSB for the year ended December 31, 2012, contains consolidated financial statements and related footnote disclosures, which should be read in conjunction with the accompanying consolidated financial statements. The results of operations for the period ended March 31, 2013 are not necessarily indicative of the operating results for the full year or any future interim period.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The amendments in this Update require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company has provided the necessary disclosure in Note 6.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 SECURITIES

Securities consist of the following at March 31, 2013 and December 31, 2012:

<i>(Dollars in thousands)</i>	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2013				
Available-for-sale:				
U.S. Treasury securities	\$ 1,106	\$ 4	\$	\$ 1,110
Obligations of U.S. Government corporations and agencies	39,996	21	122	39,895
Mortgage-backed securities in government sponsored entities	64,722	1,634	224	66,132
Asset-backed securities in government sponsored entities	2,829	27		2,856
Obligations of states and political subdivisions	16,752	645	24	17,373
Corporate bonds	4,317	121	11	4,427
Total debt securities	129,722	2,452	381	131,793
Equity securities in financial institutions	106	10	3	113
Total available-for-sale	129,828	2,462	384	131,906
Restricted stock	5,463			5,463
Total securities	\$ 135,291	\$ 2,462	\$ 384	\$ 137,369
December 31, 2012				
Available-for-sale:				
U.S. Treasury securities	\$ 100	\$	\$	\$ 100
Obligations of U.S. Government corporations and agencies	35,996	27	43	35,980
Mortgage-backed securities in government sponsored entities	66,933	2,107	1	69,039
Asset-backed securities in government sponsored entities	2,862		39	2,823
Obligations of states and political subdivisions	16,194	701	12	16,883
Corporate bonds	4,313	112	28	4,397
Total debt securities	126,398	2,947	123	129,222
Equity securities in financial institutions	69	9	9	69
Total available-for-sale	126,467	2,956	132	129,291
Restricted stock	5,463			5,463
Total securities	\$ 131,930	\$ 2,956	\$ 132	\$ 134,754

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 SECURITIES (CONTINUED)

The amortized cost and fair value of debt securities at March 31, 2013, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(Dollars in thousands)</i>	Amortized cost	Fair value
Available-for-sale:		
Due in one year or less	\$ 801	\$ 803
Due after one through five years	17,042	17,414
Due after five through ten years	29,918	30,266
Due after ten years	81,961	83,310
Total debt securities available-for-sale	\$ 129,722	\$ 131,793

Securities with a carrying value of approximately \$92.0 million and \$79.2 million were pledged at March 31, 2013 and December 31, 2012, respectively, to secure public deposits, as well as other deposits and borrowings as required or permitted by law.

Restricted stock primarily consists of investments in FHLB and Federal Reserve Bank stock. The Bank's investment in FHLB stock amounted to approximately \$5.0 million at March 31, 2013 and December 31, 2012. Federal Reserve Bank stock was \$471 thousand at March 31, 2013 and December 31, 2012.

Realized Gains and Losses

There were no sales of available-for-sale securities for the three month periods ending March 31, 2013 or 2012. Gains or losses on the sales of available-for-sale securities are recognized upon sale and are determined by the specific identification method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 SECURITIES (CONTINUED)

The following table presents gross unrealized losses and fair value of securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2013 and December 31, 2012:

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
<i>(Dollars in thousands)</i>						
March 31, 2013						
Obligations of U.S. Government corporations and agencies	\$ 122	\$ 24,876	\$	\$	\$ 122	\$ 24,876
Mortgage-backed securities in government sponsored entities	224	18,311			224	18,311
Obligations of state and political subdivisions	24	2,433			24	2,433
Corporate bonds	3	364	8	992	11	1,356
Total debt securities	373	45,984	8	992	381	46,976
Equity securities in financial institutions			3	51	3	51
Total temporarily impaired securities	\$ 373	\$ 45,984	\$ 11	\$ 1,043	\$ 384	\$ 47,027
December 31, 2012						
Obligations of U.S. Government corporations and agencies	\$ 43	\$ 15,957	\$	\$	\$ 43	\$ 15,957
Mortgage-backed securities in government sponsored entities	1	344			1	344
Asset-backed securities in government sponsored entities	39	1,833			39	1,833
Obligations of states and political subdivisions	12	1,737			12	1,737
Corporate bonds	4	366	24	975	28	1,341
Total debt securities	\$ 99	20,237	24	975	123	21,212
Equity securities in financial institutions			9	45	9	45
Total temporarily impaired securities	\$ 99	\$ 20,237	\$ 33	\$ 1,020	\$ 132	\$ 21,257

There were forty-four (44) securities in an unrealized loss position at March 31, 2013, four (4) of which were in a continuous loss position for twelve months or more. At least quarterly, the Company conducts a comprehensive security-level impairment assessment. The assessments are based on the nature of the securities, th