

CSB BANCORP INC /OH
Form 10-Q
May 13, 2011

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**CSB BANCORP, INC.
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: March 31, 2011

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)

Ohio

34-1687530

(State or other jurisdiction of
incorporation or organization)

(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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
(Do not check if a 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 13, 2011 :

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CSB BANCORP, INC.
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(Dollars in thousands)</i>	March 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents		
Cash and due from banks	\$ 9,792	\$ 9,798
Interest-earning deposits in other banks	11,898	38,497
Federal funds sold	310	65
 Total cash and cash equivalents	 22,000	 48,360
 Securities		
Available-for-sale, at fair value	83,085	75,204
Restricted stock, at cost	5,463	5,463
 Total securities	 88,548	 80,667
 Loans held for sale	 20	
Loans	322,017	315,647
Less allowance for loan losses	4,028	4,031
 Net loans	 317,989	 311,616
 Premises and equipment, net	 7,754	 7,878
Core deposit intangible	391	406
Goodwill	1,725	1,725
Bank-owned life insurance	2,987	2,961
Accrued interest receivable and other assets	3,947	3,443
 TOTAL ASSETS	 \$ 445,361	 \$ 457,056

LIABILITIES AND SHAREHOLDERS EQUITY**LIABILITIES**

Deposits		
Noninterest-bearing	\$ 60,325	\$ 69,151
Interest-bearing	287,884	284,340
 Total deposits	 348,209	 353,491

Short-term borrowings	28,382	32,018
Other borrowings	19,707	22,909
Accrued interest payable and other liabilities	1,606	1,484
Total liabilities	397,904	409,902

SHAREHOLDERS' EQUITY

Common stock, \$6.25 par value. Authorized 9,000,000 shares; issued 2,980,602 shares; outstanding 2,734,799 shares in 2011 and 2010	18,629	18,629
Additional paid-in capital	9,994	9,994
Retained earnings	23,077	22,673
Treasury stock at cost 245,803 shares in 2011 and 2010	(5,015)	(5,015)
Accumulated other comprehensive income	772	873
Total shareholders' equity	47,457	47,154

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 445,361	\$ 457,056
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See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
<i>(Dollars in thousands, except per share data)</i>		
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 4,236	\$ 4,302
Taxable securities	595	751
Nontaxable securities	98	84
Other	17	19
Total interest and dividend income	4,946	5,156
INTEREST EXPENSE		
Deposits	786	876
Other borrowings	226	399
Total interest expense	1,012	1,275
NET INTEREST INCOME	3,934	3,881
PROVISION FOR LOAN LOSSES	280	519
Net interest income, after provision for loan losses	3,654	3,362
NONINTEREST INCOME		
Service charges on deposit accounts	245	269
Trust services	160	142
Debit card interchange fees	138	108
Gain on sale of loans, net	70	46
Other	148	166
Total noninterest income	761	731
NONINTEREST EXPENSES		
Salaries and employee benefits	1,763	1,604
Occupancy expense	219	220
Equipment expense	120	126
Professional fees	159	154
Franchise tax expense	135	135
Software expense	91	95
Marketing and public relations	59	71
Amortization of intangible assets	15	16
Other expenses	559	620
Total noninterest expenses	3,120	3,041

Income before income taxes	1,295	1,052
FEDERAL INCOME TAX PROVISION	399	315
NET INCOME	\$ 896	\$ 737
Basic and diluted net income per share	\$ 0.33	\$ 0.27

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
<i>(Dollars in thousands, except per share data)</i>		
Balance at beginning of period	\$ 47,154	\$ 45,822
Comprehensive income:		
Net income	896	737
Change in net unrealized gain (loss), net of reclassification adjustments and related income taxes of (\$52) and \$54, respectively	(101)	104
Total comprehensive income	795	841
Cash dividends declared (\$0.18 per share in 2011 and 2010)	(492)	(492)
Balance at end of period	\$ 47,457	\$ 46,171

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,	
	2011	2010
<i>(Dollars in thousands, except per share data)</i>		
NET CASH FROM OPERATING ACTIVITIES	\$ 1,041	\$ (113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available-for-sale:		
Proceeds from maturities and repayments	4,240	13,560
Purchases	(12,344)	(6,551)
Loan originations, net of repayments	(6,679)	2,044
Proceeds from sale of other real estate	8	215
Property, equipment, and software acquisitions	(517)	(7)
Net cash provided by (used in) investing activities	(15,292)	9,261
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(5,271)	(3,256)
Net change in short-term borrowings	(3,636)	857
Repayments of other borrowings	(3,202)	(12,728)
Net cash provided by used in financing activities	(12,109)	(15,127)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,360)	(5,979)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,360	42,661
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 22,000	\$ 36,682
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 1,042	\$ 1,403
Income taxes	50	250
Noncash investing activities:		
Transfer of loans to other real estate owned		301
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 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, 2011, 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 have been omitted. The Annual Report for CSB for the year ended December 31, 2010, 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 periods ended March 31, 2011 are not necessarily indicative of the operating results for the full year or any future interim period.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements.

In July 2010, FASB issued ASU No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. ASU 2010-20 is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The Company is currently evaluating the impact the adoption of this guidance will have on the Company's financial position or results of operations.

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CSB BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December, 2010, the FASB issued ASU 2010- 28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this update are effective for fiscal year, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Nonpublic entities may early adopt the amendments using the effective date for public entities. This ASU is not expected to have a significant impact on the Company's financial statements.

In December 2010, the FASB issued ASU 2010- 29, *Disclosure of Supplementary Pro Forma Information for Business Combinations*. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. The amendments in this update provide additional guidance or clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amendments in this update are effective for the first interim or annual reporting period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. This ASU is not expected to have a significant impact on the Company's financial statements.

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CSB BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 SECURITIES

Securities consist of the following at March 31, 2011 and December 31, 2010:

	Amortized	Gross unrealized	Gross unrealized	Fair
<i>(Dollars in thousands)</i>	cost	gains	losses	value
March 31, 2011				
Available-for-sale:				
U.S. Treasury security	\$ 100	\$	\$	\$ 100
Obligations of U.S. Government corporations and agencies	25,992	15	299	25,708
Mortgage-backed securites in government sponsored entities	42,323	1,270	120	43,473
Obligations of states and political subdivisions	12,431	352	35	12,748
Corporate bonds	1,000		2	998
Total debt securities	81,846	1,637	456	83,027
Equity securities in financial institutions	69	3	14	58
Total available-for-sale	81,915	1,640	470	83,085
Restricted stock	5,463			5,463
Total securities	\$ 87,378	\$ 1,640	\$ 470	\$ 88,548
December 31, 2010				
Available-for-sale:				
U.S. Treasury security	\$ 100	\$	\$	\$ 100
Obligations of U.S. Government corporations and agencies	20,009	8	306	19,711
Mortgage-backed securites in government sponsored entities	41,005	1,374	28	42,351
Obligations of states and political subdivisions	11,699	341	46	11,994
Corporate bonds	1,000		8	992
Total debt securities	73,813	1,723	388	75,148
Equity securities in financial institutions	69	3	16	56
Total available-for-sale	73,882	1,726	404	75,204
Restricted stock	5,463			5,463
Total securities	\$ 79,345	\$ 1,726	\$ 404	\$ 80,667

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CSB BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2 SECURITIES (CONTINUED)

The amortized cost and fair value of debt securities at March 31, 2011, 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.

Due in one year or less	\$ 1,978	\$ 1,988
Due after one through five years	7,487	7,633
Due after five through ten years	19,908	20,163
Due after ten years	52,473	53,243
Total debt securities available-for-sale	\$ 81,846	\$ 83,027

Realized Gains and Losses

There were no sales of available-for-sale securities for the three month periods ending March 31, 2011 or 2010. Gains or losses on the sales of available-for-sale securities are recognized upon sale and are determined by the specific identification method.

At least quarterly, the Company conducts a comprehensive security-level impairment assessment. The assessments are based on the nature of the securities, the extent and duration of the securities, the extent and duration of the loss and management's intent to sell or if it is more likely than not that management will be required to sell a security before recovery of its amortized cost basis, which may be maturity. Management believes the Company will fully recover the cost of these securities and it does not intend to sell these securities and likely will not be required to sell them before the anticipated recovery of the remaining amortized cost basis, which may be maturity. As a result, management concluded that these securities were not other-than-temporarily impaired at March 31, 2011 and has recognized the total amount of the impairment in other comprehensive income, net of tax.

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CSB BANCORP, INC.
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, 2011 and December 31, 2010:

	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, 2011						
Obligations of U.S. Corporations and agencies	\$ 299	\$ 13,692	\$	\$	\$ 299	\$ 13,692
Mortgage-backed securities in government sponsored entities	111	7,945	9	394	120	8,339
Obligations of state & political subdivisions	35	2,569			35	2,569
Corporate bonds	2	498			2	498
Total debt securities	447	24,704	9	394	456	25,098
Equity securities in financial institutions			14	40	14	40
Total temporarily impaired securities	\$ 447	\$ 24,704	\$ 23	\$ 434	\$ 470	\$ 25,138
 December 31, 2010						
Obligations of U.S. Corporations and agencies	\$ 306	\$ 12,686	\$	\$	\$ 306	\$ 12,686
Mortgage-backed securities in government sponsored entities	14	4,032	14	493	28	4,525
Obligations of state & political subdivisions	46	2,561			46	2,561
Corporate bonds	8	492			8	492