

CSB BANCORP INC /OH
Form 10-Q
May 13, 2016
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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, 2016

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
(State or other jurisdiction of
incorporation or organization)
91 North Clay, P.O. Box 232, Millersburg, Ohio 44654
(Address of principal executive offices)

34-1687530
(I.R.S. Employer
Identification Number)

(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, 2016:

2,742,242 common shares

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CSB BANCORP, INC.

FORM 10-Q

QUARTER ENDED March 31, 2016

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(Dollars in thousands)</i>	March 31, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents		
Cash and due from banks	\$ 12,527	\$ 17,341
Interest-earning deposits in other banks	14,844	20,931
Total cash and cash equivalents	27,371	38,272
Securities		
Available-for-sale, at fair value	122,242	127,969
Held-to-maturity (fair value 2016-\$27,660; 2015-\$34,011)	27,025	33,819
Restricted stock, at cost	4,614	4,614
Total securities	153,881	166,402
Loans held for sale	128	47
Loans	433,453	422,871
Less allowance for loan losses	5,005	4,662
Net loans	428,448	418,209
Premises and equipment, net	8,032	8,209
Core deposit intangible	474	504
Goodwill	4,728	4,728
Bank-owned life insurance	10,152	10,085
Accrued interest receivable and other assets	3,988	3,858
TOTAL ASSETS	\$ 637,202	\$ 650,314
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 145,967	\$ 151,549
Interest-bearing	364,013	373,493

Total deposits	509,980	525,042
Short-term borrowings	48,787	48,598
Other borrowings	13,332	13,465
Accrued interest payable and other liabilities	2,307	1,943
Total liabilities	574,406	589,048
SHAREHOLDERS EQUITY		
Common stock, \$6.25 par value. Authorized 9,000,000 shares; issued 2,980,602 shares; outstanding (shares 2016 - 2,742,242; 2015 - 2,739,405)	18,629	18,629
Additional paid-in capital	9,815	9,846
Retained earnings	38,989	38,030
Treasury stock at cost (shares 2016 - 238,360; 2015 - 239,606)	(4,784)	(4,822)
Accumulated other comprehensive income (loss)	147	(417)
Total shareholders equity	62,796	61,266
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 637,202	\$ 650,314

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
<i>(Dollars in thousands, except per share data)</i>		
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$ 4,742	\$ 4,573
Taxable securities	737	688
Nontaxable securities	154	130
Other	28	16
Total interest and dividend income	5,661	5,407
INTEREST EXPENSE		
Deposits	259	271
Short-term borrowings	17	17
Other borrowings	100	105
Total interest expense	376	393
NET INTEREST INCOME	5,285	5,014
PROVISION FOR LOAN LOSSES	164	194
Net interest income, after provision for loan losses	5,121	4,820
NONINTEREST INCOME		
Service charges on deposit accounts	278	286
Trust services	226	202
Debit card interchange fees	262	227
Securities gains		35
Gain on sale of loans, net	32	70
Other income	194	234
Total noninterest income	992	1,054
NONINTEREST EXPENSES		
Salaries and employee benefits	2,327	2,150
Occupancy expense	244	267
Equipment expense	174	166
Professional and director fees	174	290
Franchise tax expense	107	100

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Marketing and public relations	85	76
Software expense	187	189
Debit card expense	104	99
Amortization of intangible assets	30	32
FDIC insurance expense	84	92
Other expenses	473	487
Total noninterest expenses	3,989	3,948
Income before federal income tax provision	2,124	1,926
FEDERAL INCOME TAX PROVISION	644	584
NET INCOME	\$ 1,480	\$ 1,342
Basic and diluted net earnings per share	\$ 0.54	\$ 0.49

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	
	2016	2015
Net income	\$ 1,480	\$ 1,342
Other comprehensive income		
Unrealized gains arising during the period	808	768
Amounts reclassified from accumulated other comprehensive income, held-to-maturity	46	54
Income tax effect	(290)	(279)
Reclassification adjustment for gains on available-for-sale securities included in net income		(35)
Income tax effect		12
Other comprehensive income	564	520
Total comprehensive income	\$ 2,044	\$ 1,862

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,	
	2016	2015
<i>(Dollars in thousands, except per share data)</i>		
Balance at beginning of period	\$ 61,266	\$ 57,450
Net income	1,480	1,342
Other comprehensive income	564	520
Stock options exercised 1,246 shares issued in 2016	7	
Cash dividends declared	(521)	(521)
Balance at end of period	\$ 62,796	\$ 58,791
Cash dividends declared per share	\$ 0.19	\$ 0.19

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,	
	2016	2015
<i>(Dollars in thousands)</i>		
NET CASH FROM OPERATING ACTIVITIES	\$ 1,382	\$ 1,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities:		
Proceeds from repayments, held-to-maturity	6,827	3,908
Proceeds from maturities and repayments, available-for-sale	11,625	4,480
Purchases, available-for-sale	(5,281)	(10,358)
Proceeds from sale of available-for-sale securities		88
Loan originations, net of repayments	(10,398)	(10,049)
Property, equipment, and software acquisitions	(50)	(152)
Net cash provided by (used in) investing activities	2,723	(12,083)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(15,062)	(2,742)
Net change in short-term borrowings	189	5,506
Repayment of other borrowings	(133)	(165)
Net cash provided by (used in) investing activities	(15,006)	2,599
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,901)	(8,291)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,272	43,923
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 27,371	\$ 35,632
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 378	\$ 395
Income taxes	400	
Noncash financing activities:		
Dividends declared	521	521

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, 2016, 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&nbs