

CSB BANCORP INC /OH
Form 10-Q
November 09, 2018
Table of Contents

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: September 30, 2018

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)

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 every Interactive Data File required to be submitted 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 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 by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 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 November 1, 2018:
2,742,242 common shares

Table of Contents

CSB BANCORP, INC.

FORM 10-Q

QUARTER ENDED September 30, 2018

Table of Contents

Part I Financial Information

<u>ITEM 1 FINANCIAL STATEMENTS (Unaudited)</u>	Page
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statements of Comprehensive Income</u>	5
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	28
<u>ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	35
<u>ITEM 4 CONTROLS AND PROCEDURES</u>	36

Part II Other Information

<u>ITEM 1 Legal Proceedings</u>	37
<u>ITEM 1A Risk Factors</u>	37
<u>ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>ITEM 3 Defaults upon Senior Securities</u>	37
<u>ITEM 4 Mine Safety Disclosures</u>	37
<u>ITEM 5 Other Information</u>	37
<u>ITEM 6 Exhibits</u>	38
<u>Signatures</u>	39

Table of Contents

CSB BANCORP, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(Dollars in thousands)</i>	September 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents		
Cash and due from banks	\$ 15,865	\$ 17,255
Interest-earning deposits in other banks	17,384	19,165
Total cash and cash equivalents	33,249	36,420
Securities		
Available-for-sale, at fair value	89,507	97,663
Held-to-maturity (fair value 2018-\$20,326; 2017-\$25,491)	21,260	25,758
Equity Securities	87	89
Restricted stock, at cost	4,614	4,614
Total securities	115,468	128,124
Loans held for sale	192	246
Loans	535,424	516,830
Less allowance for loan losses	6,204	5,604
Net loans	529,220	511,226
Premises and equipment, net	9,605	9,244
Core deposit intangible	192	268
Goodwill	4,728	4,728
Bank-owned life insurance	13,470	13,218
Accrued interest receivable and other assets	4,691	3,589
TOTAL ASSETS	\$ 710,815	\$ 707,063
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 177,203	\$ 173,671
Interest-bearing	410,328	409,588

Total deposits	587,531	583,259
Short-term borrowings	37,465	39,480
Other borrowings	8,676	11,409
Accrued interest payable and other liabilities	3,266	2,383
Total liabilities	636,938	636,531
SHAREHOLDERS EQUITY		
Common stock, \$6.25 par value. Authorized 9,000,000 shares; issued 2,980,602 shares; outstanding shares (2018 and 2017 2,742,242)	18,629	18,629
Additional paid-in capital	9,815	9,815
Retained earnings	52,510	47,535
Treasury stock at cost (shares 2018 and 2017 238,360)	(4,784)	(4,784)
Accumulated other comprehensive loss	(2,293)	(663)
Total shareholders equity	73,877	70,532
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 710,815	\$ 707,063

See notes to unaudited consolidated financial statements.

Table of Contents

CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
INTEREST AND DIVIDEND INCOME				
Loans, including fees	\$ 6,707	\$ 5,907	\$ 19,361	\$ 16,940
Taxable securities	586	599	1,784	1,796
Nontaxable securities	152	171	464	509
Other	127	89	256	180
Total interest and dividend income	7,572	6,766	21,865	19,425
INTEREST EXPENSE				
Deposits	633	368	1,647	942
Short-term borrowings	97	49	235	106
Other borrowings	41	145	141	361
Total interest expense	771	562	2,023	1,409
NET INTEREST INCOME	6,801	6,204	19,842	18,016
PROVISION FOR LOAN LOSSES	324	280	972	965
Net interest income, after provision for loan losses	6,477	5,924	18,870	17,051
NONINTEREST INCOME				
Service charges on deposit accounts	301	287	885	847
Trust services	204	122	641	481
Debit card interchange fees	330	298	966	882
Gain on sale of loans, net	63	94	200	197
Earnings on bank owned life insurance	86	86	252	270
Unrealized gain or loss on equity securities	(6)		(2)	
Other income	197	167	546	543
Total noninterest income	1,175	1,054	3,488	3,220
NONINTEREST EXPENSES				
Salaries and employee benefits	2,805	2,531	8,160	7,462
Occupancy expense	194	236	628	660
Equipment expense	145	143	461	485
Professional and director fees	199	257	749	660
Financial institutions and franchise tax expense	139	131	425	394

Edgar Filing: CSB BANCORP INC /OH - Form 10-Q

Marketing and public relations	124	91	363	259
Software expense	221	219	655	633
Debit card expense	144	139	386	410
Amortization of intangible assets	25	29	76	87
FDIC insurance expense	66	58	213	160
Other expenses	576	452	1,678	1,410
Total noninterest expenses	4,638	4,286	13,794	12,620
Income before income taxes	3,014	2,692	8,564	7,651
FEDERAL INCOME TAX PROVISION	582	826	1,644	2,329
NET INCOME	\$ 2,432	\$ 1,866	\$ 6,920	\$ 5,322
Basic and diluted net earnings per share	\$ 0.88	\$ 0.68	\$ 2.52	\$ 1.94

See notes to unaudited consolidated financial statements

Table of Contents

CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

<i>(Dollars in thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net income	\$ 2,432	\$ 1,866	\$ 6,920	\$ 5,322
Other comprehensive (loss) income				
Unrealized (losses) gains arising during the period	(620)	(255)	(2,088)	1,132
Amounts reclassified from accumulated other comprehensive loss, held-to-maturity	20	27	62	84
Income tax effect	125	78	425	(414)
Other comprehensive (loss) income	(475)	(150)	(1,601)	802
Total comprehensive income	\$ 1,957	\$ 1,716	\$ 5,319	\$ 6,124

See notes to unaudited consolidated financial statements.

Table of Contents

CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

<i>(Dollars in thousands)</i>	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Nine Months Ended September 30, 2017						
Balance, beginning of period	\$ 18,629	\$ 9,815	\$ 42,629	\$ (4,784)	\$	