

FSB Community Bankshares Inc  
Form 10-K  
March 28, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001- 52751

FSB Community Bankshares, Inc.  
(Exact Name of Registrant as Specified in its Charter)

United States  
(State or Other Jurisdiction of Incorporation or Organization)

74-3164710  
(I.R.S. Employer Identification No.)

45 South Main Street, Fairport, New York  
(Address of Principal Executive Offices)

14450  
(Zip Code)

(585) 223-9080  
(Issuer's Telephone Number  
including area code)

Securities Registered Pursuant to Section 12(b) of  
the Act:

None

Title of Class

Name of Each Exchange  
On Which Registered

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.10 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
YES  NO .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.  
YES  NO .

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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 reports), and (2) has been subject to such requirements for the past 90 days.

(1) YES x NO o

(2) YES x NO o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files). YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

(Do not check if 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 o NO x

As of June 30, 2011 the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of the common stock as of June 30, 2011, was approximately \$5.6 million.

As of March 31, 2012, there were 1,785,000 shares of the Registrant's common stock, par value \$0.10 per share, outstanding, of which 946,050 shares, or 53%, were held by FSB Community Bankshares, MHC, the Registrant's mutual holding company parent.

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for the 2012 Annual Meeting of Stockholders (Parts II and III).
2. Annual Report to Shareholders for the year ended December 31, 2011 (Part II).

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

This Annual Report contains certain “forward-looking statements” which may be identified by the use of words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates and most other statements that are not historical in nature. These factors include, but are not limited to, general and local economic conditions, changes in interest rates, deposit flows, demand for mortgage, commercial and other loans, real estate values, competition, changes in accounting principles, policies, or guidelines, changes in legislation or regulation, and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing products and services.

FSB Community Bankshares, MHC

FSB Community Bankshares, MHC is a federally chartered mutual holding company which currently owns 53.0% of the outstanding common stock of FSB Community Bankshares, Inc. FSB Community Bankshares, MHC has not engaged in any significant business other than owning the common stock of FSB Community Bankshares, Inc. So long as FSB Community Bankshares, MHC exists, it is required to own a majority of the voting stock of FSB Community Bankshares, Inc. The executive office of FSB Community Bankshares, MHC is located at 45 South Main Street, Fairport, New York 14450, and its telephone number is (585) 223-9080. FSB Community Bankshares, MHC is subject to comprehensive regulation and examination by the Board of governors of the Federal Reserve System (the “Federal Reserve Board”).

FSB Community Bankshares, Inc.

FSB Community Bankshares, Inc. is a federally chartered mid-tier stock holding company of Fairport Savings Bank (the “Bank”). FSB Community Bankshares, Inc. has not engaged in any significant business activity other than owning 100% of the common stock of the Bank and \$3.0 million in investment securities, and currently does not intend to expand materially its business activities, other than through its ownership of the Bank.

FSB Community Bankshares, Inc. completed its initial public offering in August 2007 by selling 838,950 shares, or 47.0% of our outstanding common stock, at a price of \$10.00 per share, to the Bank’s eligible depositors, the Bank’s employee stock ownership plan and the public. Additionally, we issued 946,050 shares, or 53.0% of our common stock, to FSB Community Bankshares, MHC our federally chartered mutual holding company parent.

At December 31, 2011, we had total consolidated assets of \$223.3 million, total deposits of \$175.1 million and stockholders’ equity of \$20.8 million. Our consolidated net loss for the year ended December 31, 2011 was \$72,000.

Our executive offices and the Bank’s executive offices are located at 45 South Main Street, Fairport, New York 14450, and our telephone number is (585) 223-9080. FSB Community Bankshares, Inc. is subject to comprehensive regulation and examination by the Board of governors of the Federal Reserve Board.

Our website address is [www.fairportsavingsbank.com](http://www.fairportsavingsbank.com). Information on our website is not and should not be considered a part of this Annual Report on Form 10-K. We make our Annual Report on Form 10-K and amendments thereto available on our website as soon as reasonably practicable after filing or furnishing them to the SEC. Also available on the website is our Corporate Profile, our officers and directors, corporate governance, and a link to our SEC filings.

#### Fairport Savings Bank

Fairport Savings Bank is a federally chartered savings bank headquartered in Fairport, New York and was originally founded in 1888. Fairport Savings Bank conducts business from its main office in Fairport, New York and our branch offices located in Penfield, New York which opened in 2003, Irondequoit, New York, which opened in 2007, Webster, New York which opened in 2009, and Perinton, New York which opened in 2011. The telephone number at our main office is (585) 223-9080. Fairport Savings Bank is subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency (“OCC”).

Our principal business consists of originating one-to-four-family residential real estate mortgage loans and home equity lines of credit, and to a lesser extent, originations of commercial real estate, multi-family, construction and other consumer loans. The Bank has three mortgage origination offices located in Pittsford, New York, Canandaigua, New York, and Watertown, New York. We attract retail deposits from the general public in the areas surrounding our main office and our branch offices. We offer our customers a variety of deposit products with interest rates that are competitive with those of similar products offered by other financial institutions in our market area. Loans that we sell into the secondary market consist of long-term, fixed-rate residential real estate mortgage loans and correspondent FHA mortgage loans. We retain the servicing rights primarily on all fixed-rate residential mortgage loans that we sell. These loans are sold without recourse. Correspondent FHA mortgage loans are sold in the secondary market on a servicing-released basis. We also broker government mortgage loans including FHA, VA, SONYMA, and USDA directly to investors in the secondary market. We have not entered into loan participations in recent years. Our revenues are derived primarily from interest on loans and, to a lesser extent, interest on investment securities and mortgage-backed securities. We also generate revenues from other income including deposit fees and service charges, realized gain on sale of securities, earnings on bank owned life insurance, mortgage fee income, and realized gain on sale of loans associated with loan production generated from our loan origination offices. Our primary sources of funds are deposits, borrowings, and principal and interest payments on loans and securities. Additionally, we derive a portion of our other income through Oakleaf Services Corporation, our subsidiary that offers non-deposit investments such as annuities, insurance products and mutual funds.

#### Market Area

Fairport Savings Bank considers its market area to consist of Monroe County, New York, and to a lesser extent, the surrounding counties in Western New York. Monroe County is a suburban market dominated by the City of Rochester, the third largest city in the State of New York. In 2010, Monroe County had a population of 744,000. Population growth has been largely stagnant over the last two decades. Kodak, Xerox and Bausch & Lomb, some of the world’s most recognizable names in business, all conduct a significant portion of their operations in Monroe County. The community is also home to nationally recognized and growing companies like Wegman’s, Paychex, CooperVision, LiDestri Foods and Harris RF Communications. The University of Rochester, along with its Medical Center, is now the area’s largest employer.

## Competition

We face intense competition in our market area both in making loans and attracting deposits. Our market area has a high concentration of financial institutions, including large money center and regional banks, community banks and credit unions. We face additional competition for deposits from money market funds, brokerage firms, mutual funds and insurance companies. Some of our competitors offer products and services that we currently do not offer, such as commercial business loans, trust services and private banking.

The majority of our depositors live and/or work in Monroe County, New York. At June 30, 2011, the latest date for which information is available through the Federal Deposit Insurance Corporation, we held approximately 1.5% of the thrift and bank deposits available in Monroe County.

Our primary strategy for increasing and retaining our customer base is to offer competitive deposit and loan rates and product features, delivered with exceptional customer service. Our primary focus is to build and develop profitable customer relationships across all lines of business while maintaining our role as a community bank.

## Lending Activities

Our principal lending activity is the origination of first mortgage loans to purchase or refinance one-to-four-family residential real estate. We also originate a significant number of home equity lines of credit and, to a lesser extent, multi-family residential, construction, commercial real estate and other loans (consisting of automobile, passbook, overdraft protection and unsecured loans). At December 31, 2011, one-to-four-family residential real estate mortgage loans totaled \$113.5 million, or 89.5% of our loan portfolio, home equity lines of credit totaled \$9.4 million, or 7.4% of our loan portfolio, commercial real estate loans totaled \$1.5 million, or 1.2% of our loan portfolio, and other loans totaled \$2.3 million, or 1.9% of our loan portfolio.

Our strategic plan continues to focus on residential real estate lending whereby a portion of fixed-rate long term residential loan originations will be sold, on a servicing-retained basis, to increase non-interest income, a portion of fixed-rate FHA, VA, SONYMA or USDA loans will be sold, on a servicing-released basis, to increase non-interest income, and the remaining loans will be added to our loan portfolio for interest earning income. In 2011, we sold \$11.8 million in long-term, fixed-rate one-to-four-family real estate loans and correspondent FHA mortgage loans in the secondary market. We also brokered \$7.0 million of fixed-rate residential mortgage and FHA mortgage loans in 2011 to investors in the secondary market. Our total loans sold and serviced as of December 31, 2011 were \$19.9 million. At December 31, 2011, the Bank had \$1.5 million in loans held for sale comprised of FHA mortgage loans originated and closed by the Bank in the fourth quarter of 2011 that have been committed for sale in the secondary market and will be delivered and sold in the first quarter of 2012. We may experience declines in the residential mortgage loan portfolio during 2012 if the economy continues to weaken. Additionally, based on our desired interest rate sensitivity position, we may increase the amount of residential mortgages we sell in the secondary market.

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Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	2011		2010		At December 31, 2009		2008		2007
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount P
	(Dollars in thousands)								
Real estate loans:									
One-to-four-family residential(1)	\$113,538	89.5%	\$102,295	89.3%	\$104,960	90.2%	\$123,880	91.4%	\$113,267
Home equity lines of credit	9,425	7.4	8,900	7.8	8,496	7.3	8,214	6.1	6,622
Multi-family residential	1,333	1.1	1,165	1.0	781	0.7	846	0.6	918