

CSB BANCORP INC /OH  
Form 10-Q  
May 14, 2009

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**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, 2009**

**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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(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 14, 2009:  
2,734,799 common shares



CSB BANCORP, INC.  
FORM 10-Q  
QUARTER ENDED March 31, 2009

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

|  | March 31,<br>2009  | December 31,<br>2008 |
|--|--------------------|----------------------|
| <b>ASSETS</b>                                    |                    |                      |
| Cash and due from bank                           | \$ 7,479,007       | \$ 8,698,917         |
| Interest-earning deposits in other banks         | 12,072,028         | 2,961,153            |
| Federal funds sold                               |                    | 1,086,000            |
| <br>Total cash and cash equivalents              | <br>19,551,035     | <br>12,746,070       |
| <br>Securities available-for-sale, at fair value | <br>65,282,581     | <br>76,655,816       |
| Restricted stock, at cost                        | 5,231,800          | 5,231,800            |
| <br>Total securities                             | <br>70,514,381     | <br>81,887,616       |
| <br>Loans  | <br>319,424,751    | <br>316,290,412      |
| Less allowance for loan losses                   | 3,401,888          | 3,393,685            |
| <br>Net loans                                    | <br>316,022,863    | <br>312,896,727      |
| <br>Premises and equipment, net                  | <br>8,368,805      | <br>8,470,855        |
| Bank owned life insurance                        | 2,774,893          | 2,748,909            |
| Other intangible assets                          | 570,923            | 597,014              |
| Goodwill   | 1,448,029          | 1,448,029            |
| Accrued interest receivable and other assets     | 3,139,114          | 3,861,962            |
| <br>Total Assets                                 | <br>\$ 422,390,043 | <br>\$ 424,657,182   |
| <br><b>LIABILITIES</b>                           |                    |                      |
| Deposits   |                    |                      |
| Noninterest-bearing                              | \$ 42,685,916      | \$ 49,058,592        |
| Interest-bearing                                 | 261,904,865        | 256,394,147          |
| <br>Total deposits                               | <br>304,590,781    | <br>305,452,739      |
| Short-term borrowings                            | 20,416,999         | 22,891,593           |
| Other borrowings                                 | 50,590,025         | 50,997,537           |
| Accrued interest payable and other liabilities   | 2,400,564          | 1,846,841            |

|   |                |                |
|---|----------------|----------------|
| Total liabilities   | 377,998,369    | 381,188,710    |
| <b>SHAREHOLDERS EQUITY</b>  |                |                |
| Common stock, \$6.25 par value: Authorized 9,000,000 shares; issued<br>2,980,602 shares | 18,628,767     | 18,628,767     |
| Additional paid-in capital  | 9,987,999      | 9,986,499      |
| Retained earnings   | 20,127,651     | 19,723,972     |
| Treasury stock at cost: 245,803 shares  | (5,014,541)    | (5,014,541)    |
| Accumulated other comprehensive income  | 661,798        | 143,775        |
| Total shareholders equity   | 44,391,674     | 43,468,472     |
| Total Liabilities and Shareholders Equity   | \$ 422,390,043 | \$ 424,657,182 |

See notes to unaudited consolidated financial statements.

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

|  | Three Months Ended<br>March 31, |              |
|--|---------------------------------|--------------|
|  | 2009                            | 2008         |
| <b>Interest income</b>                                     |                                 |              |
| Loans, including fees                                      | \$ 4,620,756                    | \$ 4,412,704 |
| Taxable securities   | 887,867                         | 804,622      |
| Nontaxable securities                                      | 67,997                          | 43,878       |
| Other  | 2,724                           | 22,207       |
| Total interest income                                      | 5,579,344                       | 5,283,411    |
| <b>Interest expense</b>                                    |                                 |              |
| Deposits   | 1,162,395                       | 1,427,758    |
| Other  | 523,389                         | 475,888      |
| Total interest expense                                     | 1,685,784                       | 1,903,646    |
| <b>Net interest income</b>                                 | 3,893,560                       | 3,379,765    |
| <b>Provision for loan losses</b>                           | 241,072                         | 107,032      |
| <b>Net interest income after provision for loan losses</b> | 3,652,488                       | 3,272,733    |
| <b>Non-interest income</b>                                 |                                 |              |
| Service charges on deposit accounts                        | 293,301                         | 287,152      |
| Trust and financial services                               | 114,759                         | 188,664      |
| Debit card interchange fees                                | 85,064                          | 70,821       |
| Credit card fee income                                     | 15,814                          | 64,052       |
| Gain on sale of loans                                      | 67,569                          | 264,659      |
| Security gains   | 116,080                         |              |
| Other income   | 103,568                         | 80,138       |
| Total non-interest income                                  | 796,155                         | 955,486      |
| <b>Non-interest expenses</b>                               |                                 |              |
| Salaries and employee benefits                             | 1,708,364                       | 1,536,903    |
| Occupancy expense  | 243,345                         | 197,881      |
| Equipment expense  | 133,745                         | 125,450      |
| State franchise tax  | 109,790                         | 107,430      |
| Professional and director fees                             | 143,763                         | 139,556      |
| Amortization of intangible assets                          | 16,318                          |              |

|   |            |              |
|---|------------|--------------|
| Other expenses                              | 773,575    | 621,239      |
| Total non-interest expenses                 | 3,128,900  | 2,728,459    |
| <b>Income before income taxes</b>           | 1,319,743  | 1,499,760    |
| Federal income tax provision                | 423,800    | 498,000      |
| <b>Net income</b>                           | \$ 895,943 | \$ 1,001,760 |
| <b>Basic and diluted earnings per share</b> | \$ 0.33    | \$ 0.41      |

See notes to unaudited consolidated financial statements.

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

|  | Three Months Ended<br>March 31, |               |
|--|---------------------------------|---------------|
|  | 2009                            | 2008          |
| Balance at beginning of period   | \$ 43,468,472                   | \$ 36,278,048 |
| Comprehensive income:  |                                 |               |
| Net income   | 895,943                         | 1,001,760     |
| Change in net unrealized gain, net of reclassification adjustments and related income taxes of \$266,860 and \$214,879, respectively | 518,023                         | 417,119       |
| Total comprehensive income   | 1,413,966                       | 1,418,879     |
| Stock-based compensation expense   | 1,500                           | 3,500         |
| Purchase of treasury shares  |                                 | (113,453)     |
| Cash dividends declared (\$0.18 per share in 2009 and 2008)  | (492,264)                       | (439,353)     |
| Balance at end of period   | \$ 44,391,674                   | \$ 37,147,621 |

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

|   | Three Months Ended<br>March 31, |                      |
|---|---------------------------------|----------------------|
|   | 2009                            | 2008                 |
| <b>Net cash from operating activities</b>         | \$ 1,532,528                    | \$ 1,216,242         |
| <b>Cash flows from investing activities</b>       |                                 |                      |
| Securities available-for-sale:                    |                                 |                      |
| Proceeds from maturities, calls and repayments    | 11,307,090                      | 22,403,914           |
| Purchases   | (336,614)                       | (13,611,007)         |
| Purchase of FHLB stock                            |                                 | (37,000)             |
| Proceeds from sale of securities                  | 1,291,968                       |                      |
| Proceeds from sale of other real estate           | 25,000                          | 105,000              |
| Loan originations, net of repayments              | (3,379,052)                     | (7,446,531)          |
| Proceeds from sale of credit cards                |                                 | 2,513,671            |
| Premises and equipment expenditures, net          | (66,310)                        | (125,547)            |
| Net cash provided by investing activities         | 8,842,082                       | 18,695,562           |
| <b>Cash flows from financing activities</b>       |                                 |                      |
| Net change in deposits                            | (790,789)                       | (12,356,630)         |
| Net change in short-term borrowings               | (2,474,594)                     | (2,700,996)          |
| Proceeds from other borrowings                    |                                 | 8,000,000            |
| Repayment of other borrowings                     | (304,262)                       | (148,375)            |
| Purchase of treasury shares                       |                                 | (113,453)            |
| Net cash used for financing activities            | (3,569,645)                     | (7,319,454)          |
| Net change in cash and cash equivalents           | 6,804,965                       | 12,592,350           |
| Cash and cash equivalents at beginning of period  | 12,746,070                      | 12,193,362           |
| <b>Cash and cash equivalents at end of period</b> | <b>\$ 19,551,035</b>            | <b>\$ 24,785,712</b> |
| <b>Supplemental disclosures</b>                   |                                 |                      |
| Interest paid                                     | \$ 1,878,818                    | \$ 1,918,857         |
| Income taxes paid                                 | 50,000                          |                      |

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, 2009, 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, 2008, 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, 2009 are not necessarily indicative of the operating results for the full year or any future interim period.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. FSP No. FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt this FSP for the interim and annual periods ending after March 15, 2009. The adoption of this FSP is not expected to have a material effect on the Company's results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet of companies at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. The FSP now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. FSP No. FAS 107-1 and APB 28-1 is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt this FSP for the interim and annual periods ending after March 15, 2009. The adoption of this FSP is not expected to have a material effect on the Company's results of operations or financial position.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. FSP No. FAS 115-2 and FAS 124-2 is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt this FSP for the interim and annual periods ending after March 15, 2009. The adoption of this FSP is not expected to have a material effect on the Company's results of operations or financial position.

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

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* ( FSP 142-3 ). FSP 142-3 amends the factors that should be considered in developing assumptions about renewal or extension used in estimating the useful life of a recognized intangible asset under FAS No. 142, *Goodwill and Other Intangible Assets*. This standard is intended to improve the consistency between the useful life of a recognized intangible asset under FAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141R and other GAAP. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The measurement provisions of this standard will apply only to intangible assets of the Company acquired after the effective date. The Company is currently evaluating the impact the adoption of the FSP will have on the Company's results of operations.

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

**NOTE 2 SECURITIES**

Securities consist of the following at March 31, 2009 and December 31, 2008:

**March 31, 2009**

|   | Amortized<br>Cost    | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair<br>Value        |
|---|----------------------|------------------------------|-------------------------------|----------------------|
| Available-for-sale:   |                      |                              |                               |                      |
| U.S. Treasury security                                      | \$ 101,332           | \$                           | \$ 66                         | \$ 101,266           |
| Obligations of U.S. government corporations<br>and agencies | 3,896,157            | 24,062                       |                               | 3,920,219            |
| Mortgage-backed securities                                  | 52,890,581           | 1,316,556                    | 287,328                       | 53,919,809           |
| Obligations of states and political subdivisions            | 7,279,329            | 58,408                       | 64,950                        | 7,272,787            |
| Total debt securities                                       | 64,167,399           | 1,399,026                    | 352,344                       | 65,214,081           |
| Equity Securities   | 112,457              | 285                          | 44,242                        | 68,500               |
| Total available-for-sale                                    | 64,279,856           | 1,399,311                    | 396,586                       | 65,282,581           |
| Restricted stock  | 5,231,800            |                              |                               | 5,231,800            |
| <b>Total securities</b>                                     | <b>\$ 69,511,656</b> | <b>\$ 1,399,311</b>          | <b>\$ 396,586</b>             | <b>\$ 70,514,381</b> |

**December 31, 2008**

|   | Amortized<br>Cost    | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair<br>Value        |
|---|----------------------|------------------------------|-------------------------------|----------------------|
| Available-for-sale:   |                      |                              |                               |                      |
| U.S. Treasury security                                      | \$ 99,988            | \$ 473                       | \$                            | \$ 100,461           |
| Obligations of U.S. government corporations<br>and agencies | 12,447,301           | 93,055                       |                               | 12,540,356           |
| Mortgage-backed securities                                  | 56,697,763           | 618,677                      | 417,495                       | 56,898,945           |
| Obligations of states and political subdivisions            | 7,045,468            | 77,901                       | 83,073                        | 7,040,296            |
| Total debt securities                                       | 76,290,520           | 790,106                      | 500,568                       | 76,580,058           |
| Equity Securities   | 147,458              | 645                          | 72,345                        | 75,758               |
| Total available-for-sale                                    | 76,437,978           | 790,751                      | 572,913                       | 76,655,816           |
| Restricted stock  | 5,231,800            |                              |                               | 5,231,800            |
| <b>Total securities</b>                                     | <b>\$ 81,669,778</b> | <b>\$ 790,751</b>            | <b>\$ 572,913</b>             | <b>\$ 81,887,616</b> |



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

**NOTE 3 FAIR VALUE MEASUREMENTS (FAS NO. 157)**

Effective January 1, 2008, the Company adopted FAS No. 157, which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. FAS No. 157 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by FAS No. 157 hierarchy are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents the assets reported on the consolidated statements of financial condition at their fair value as of March 31, 2009, and December 31, 2008, by level within the fair value hierarchy. No liabilities are carried at fair value. As required by FAS No. 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

|                               | Level I    | Level II      | Level III | Total                    |
|-------------------------------|------------|---------------|-----------|--------------------------|
| <b>Assets:</b>                |            |               |           |                          |
|                               |            |               |           | <b>March 31, 2009</b>    |
| Securities available for sale | \$ 169,766 | \$ 65,112,815 | \$        | \$ 65,282,581            |
|                               |            |               |           | <b>December 31, 2008</b> |
| Securities available for sale | \$ 176,219 | \$ 76,479,597 | \$        | \$ 76,655,816            |

The following table presents the assets measured on a nonrecurring basis on the consolidated balance sheets at their fair value as of March 31, 2009, and December 31, 2008, by level within the fair value hierarchy. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loans include: quoted market prices for identical assets classified as Level I inputs; observable inputs, employed by certified appraisers, for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III inputs.

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

|   | Level<br>I | Level II                 | Level<br>III | Total       |
|---|------------|--------------------------|--------------|-------------|
| <b>Assets Measured on a Nonrecurring Basis:</b> |            |                          |              |             |
|   |            | <b>March 31, 2009</b>    |              |             |
| Impaired loans                                  | \$         | \$1,822,471              | \$           | \$1,822,471 |
|   |            | <b>December 31, 2008</b> |              |             |
| Impaired loans                                  | \$         | \$2,049,171              | \$           | \$2,049,171 |

**NOTE 4 BUSINESS COMBINATION**

Effective after the close of business on October 31, 2008 CSB completed the acquisition of Indian Village Bancorp, Inc. ( Indian Village ). CSB and Indian Village entered into a definitive Agreement and Plan of Merger on May 14, 2008. Immediately following the merger, Indian Village Community Bank was merged with and into The Commercial and Savings Bank of Millersburg. Indian Village banking centers are located in Gnadenuhuten, New Philadelphia and North Canton, Ohio. Under the terms of the agreement, the Company paid a combination of stock and cash as set forth in the definitive agreement and plan of merger for each outstanding common share of Indian Village, resulting in aggregate merger consideration of approximately \$8.1 million. This transaction was accounted for using the purchase method of accounting.

The following unaudited summary information presents the consolidated results of operations of CSB on a pro forma basis, as if the Indian Village acquisition had occurred at the beginning of each of the periods presented. The pro forma data gives effect to the merger and is based on numerous assumptions and estimates.

| <b>(in thousands, except per share amounts)</b> | <b>For the three months<br/>ended March 31,</b> |             |
|---|---|-------------|
|   | <b>2009</b>                                     | <b>2008</b> |
| Net interest income                             | \$3,894   | \$4,020     |
| Provision for loan losses                       | 241   | 205         |
| Non-interest income                             | 796   | 1,044       |
| Non-interest expense                            | 3,129   | 3,333       |
| Net income                                      | 896   | 1,164       |
| Net income per common share                     |   |             |
| Basic   | \$ 0.33   | \$ 0.42     |
| Diluted   | \$ 0.33   | \$ 0.42     |

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CSB BANCORP, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion focuses on the consolidated financial condition of CSB Bancorp, Inc. and its subsidiaries (the Company) at March 31, 2009 as compared to December 31, 2008, and the consolidated results of operations for the quarter ended March 31, 2009 compared to the same period in 2008. The purpose of this discussion is to provide the reader with a more thorough understanding of the consolidated financial statements. This discussion should be read in conjunction with the interim consolidated financial statements and related footnotes.

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this report are not historical facts but rather are forward-looking statements that are subject to certain risks and uncertainties. When used herein, the terms anticipates, plans, expects, believes, and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company's actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, and rapidly changing technology affecting financial services.

The Company does not undertake, and specifically disclaims any obligation, to publicly revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

**FINANCIAL CONDITION**

Total assets were \$422.4 million at March 31, 2009, compared to \$424.7 million at December 31, 2008, representing a decrease of \$2.3 million or 0.5%. Cash and cash equivalents increased \$6.8 million, or 53.4%, during the three-month period ending March 31, 2009, due to an \$8.0 million increase in deposits held at the Federal Reserve Bank partially offset by a decrease in cash and due from banks. Securities decreased \$11.3 million or 15.0% during the first three months of 2009 primarily due to calls within the US Agency portfolio and principal repayments within the mortgage-backed securities portfolio. Net loans increased \$3.1 million, or 1.0%, while deposits decreased \$862,000, or 0.3%, during the three-month period. Short-term borrowings of Federal funds purchased, securities sold under repurchase agreement and Federal Home Loan Bank borrowings decreased \$2.5 million, while other borrowings decreased \$408,000 during the period as required amortized payments were made on outstanding advances at the Federal Home Loan Bank.

Net loans increased \$3.1 million, or 1.0%, during the three-month period ended March 31, 2009. Commercial loans increased \$5.1 million or 2.8% and home equity lines increased \$1.5 million or 5.6% over December 31, 2008. Decreases were recognized in real estate mortgage loans of \$3.4 million or 3.5% and consumer installment loans of \$300,000 or 3.4%. Consumers increased their refinancing of mortgage loans for lower rates offered in the secondary market. The allowance for loan losses amounted to \$3,402,000, or 1.07% of total loans at March 31, 2009 compared to \$3,394,000 or 1.07% of total loans at December 31, 2008.

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CSB BANCORP, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The allowance for loan losses as a percentage of total loans remained stable at March 31, 2009 as compared to December 31, 2008 as the additional provision of \$241,000 exceeded net charge-offs of \$233,000 for the three months ended March 31, 2009 and outstanding loan balances grew 1% to \$319,425,000 for the three months ended March 31, 2009. Non-performing loans have increased \$1,480,000 or 56% from December 31, 2008. The growth of total delinquent loans (including all nonperforming loans) has increased at a much lower rate with total delinquent loans increasing \$187,000, or 3.2%, to \$6,020,000 at March 31, 2009 from \$5,833,000 at December 31, 2008. The majority of the increase in nonperforming loans results from delinquent loans acquired through the Indian Village business combination whose payment streams have deteriorated. However, total loan delinquency is only slightly increased in the three month period ended March 31, 2009 as compared to December 31, 2008.

| <i>(dollars in thousands)</i>   | March 31, 2009 | December 31,<br>2008 | March 31, 2008 |
|---------------------------------|----------------|----------------------|----------------|
| Non-performing loans            | \$ 4,123,091   | \$ 2,642,728         | \$ 431,000     |
| Other real estate               | 59,000         | 79,000               | 0              |
| Allowance for loan losses       | 3,401,888      | 3,393,685            | 2,690,830      |
| Total loans                     | 319,424,751    | 316,290,412          | 246,983,893    |
| Allowance: loans                | 1.07%          | 1.07%                | 1.09%          |
| Allowance: non-performing loans | .8x            | 1.3x                 | 6.2x           |

The ratio of gross loans to deposits was 104.9% at March 31, 2009, compared to 103.5% at December 31, 2008. The increase in this ratio is primarily the result of loan growth combined with deposit shrinkage experienced during the three months ended March 31, 2009.

The Company recognized gross gains on sales of available for sale securities of \$151,000 (tax provision of \$51,000) which was partially offset by the recognition of a \$35,000 (tax benefit of \$11,900) from other than temporary impairment of an equity investment during the quarter ended March 31, 2009. There were no sales or impairments recognized on securities for the three month period ending March 31, 2008. The Company had net unrealized gains of \$1,003,000 within its securities portfolio at March 31, 2009, compared to net unrealized gains of \$218,000 at December 31, 2008. Management has considered industry analyst reports, sector credit reports and the volatility within the bond market in concluding that the gross unrealized losses of \$397,000 within the portfolio as of March 31, 2009, were primarily the result of customary and expected fluctuations in the bond market. As a result, all security impairments as of March 31, 2009, are considered temporary.

Management continues to evaluate the four (4) private label CMOs held within the investment portfolio for any deterioration of investment quality. As of March 31, 2009, within this investment sector, the Company has \$3.3 million current value investments, original face of \$7.5 million, with gross unrealized losses of \$277,000. All bonds are investment grade as of March 31, 2009, collateralized primarily by 1-4 family mortgage loans and borrowers in a wide geographical dispersion. All credit scores and loan to value ratios exceed sub prime status. Short-term borrowings decreased \$2.5 million from December 31, 2008 and other borrowings decreased \$407,000 as the Company used cash flows from investments to repay required monthly payments on advances from the Federal Home Loan Bank ( FHLB ).

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CSB BANCORP, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Deposits decreased \$862,000, or 0.3% from December 31, 2008 with non-interest bearing deposits declining \$6.4 million and interest-bearing deposit accounts increasing \$5.5 million. By deposit type, increases were recognized in money market savings accounts and all time deposits for the three-month period ended March 31, 2009.

Total shareholders' equity amounted to \$44.4 million, or 10.5%, of total assets, at March 31, 2009, compared to \$43.5 million, or 10.2% of total assets, at December 31, 2008. The increase in shareholders' equity during the three months ended March 31, 2009 was due to net income of \$896,000 and changes in accumulated other comprehensive income of \$518,000. The increase was partially offset by dividends declared of \$492,000. The Company and its subsidiary bank met all regulatory capital requirements at March 31, 2009.

**RESULTS OF OPERATIONS**

**Three months ended March 31, 2009 and 2008**

For the quarter ended March 31, 2009, the Company recorded net income of \$896,000, or \$0.33 per share, as compared to net income of \$1,002,000, or \$0.41 per share for the quarter ended March 31, 2008. The \$106,000 decrease in net income for the quarter was principally due the sale of the credit card portfolio for an after tax gain of \$172,000 in 2008. On a core basis, net interest income increased \$514,000, other income increased \$102,000 increase (exclusive of the \$261,000 gain on sale of credit cards in 2008) while the provision for income taxes decreased \$74,000. These increases to income were partially offset by an increase of \$400,000 on other expenses and a \$134,000 increase in the provision for loan losses.

Interest income for the quarter ended March 31, 2009, was \$5,579,000, representing a \$296,000 increase, or 5.6%, compared to the same period in 2008. This increase was primarily due to an increase in average loan volume of \$64.0 million which was partially offset by a decline in average loan yield of 5.92% for the quarter ended March 31, 2009 as compared to 6.96% for the first quarter ended March 31, 2008. Investment interest income increased \$107,000 as both investment volume and yield increased in 2009 over the first quarter in 2008. Interest expense for the quarter ended March 31, 2009 was \$1,686,000, a decrease of \$218,000, or 11.4%, from the same period in 2008. The decrease in interest expense occurred due to decreases in interest rates across the board for the quarter ended March 31, 2009. During first quarter 2009, maturing time deposits renewed at interest rates that were lower.

The provision for loan losses for the quarter ended March 31, 2009, was \$241,000, compared to a \$107,000 provision for the same quarter in 2008. The provision for loan losses is determined based on management's calculation of the adequacy of the allowance for loan losses, which includes provisions for classified loans as well as for the remainder of the portfolio based on historical data including past charge-offs and current economic trends.

Non-interest income for the quarter ended March 31, 2009, was \$796,000, a decrease of \$159,000, or 16.7%, compared to the same quarter in 2008. During the quarter ended March 31, 2008 the Company recognized a gain on sale of their outstanding credit card portfolio of \$261,000. During the quarter ended 2009, the Company recognized a gross gain of \$151,000 on the sale of investments which was partially offset by the recording of an other than temporary impairment of \$35,000 on equity securities. Trust and brokerage fees decreased \$74,000 on a year over year quarter as declines were recognized in both the number of accounts and the market value of assets under management.

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CSB BANCORP, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Non-interest expenses for the quarter ended March 31, 2009, increased \$400,000, or 14.7%, compared to the first quarter of 2008. Salaries and employee benefits increased \$171,000, or 11.1%, primarily due to the acquisition of three branch offices in the Indian Village merger, merit increases, and increased medical and retirement benefits. Occupancy and equipment expenses increased \$54,000 and other operating expenses increased \$169,000 primarily the result of the Indian Village acquisition. Federal deposit insurance premiums increased for the quarter ended March 31, 2009 as compared to the same period in the prior year. This increase is primarily attributable to an increase in the rates charged to financial institutions by the FDIC. The FDIC implemented a special assessment of 20 basis points taking effect on April 1, 2009 that will apply to assessments for the second quarter of 2009 and thereafter. We anticipate a significant increase in our assessment expense in 2009 as a result of the increase. It is possible that certain legislation, if passed in the future, could reduce the special assessment to 10 basis points or lower.

Federal income tax expense decreased \$74,000, or 14.9% for the quarter ended March 31, 2009 as compared to the first quarter of 2008. The provision for income taxes was \$424,000 (effective rate of 32.1%) for the quarter ended March 31, 2009, compared to \$498,000 (effective rate of 33.2%) for the quarter ended March 31, 2008. The decrease in the effective tax rate resulted from an increase in tax-exempt interest income.

**CAPITAL RESOURCES**

The Federal Reserve Board (FRB) has established risk-based capital guidelines that must be observed by financial holding companies and banks. Failure to meet specified minimum capital requirements could result in regulatory actions by the Federal Reserve or Ohio Division of Financial Institutions that could have a material effect on the Company's financial condition or results of operations. Management believes there were no material changes to Capital Resources as presented in CSB Bancorp's annual report on Form 10-K for the year ended December 31, 2008, and as of March 31, 2009 the holding company and its bank meet all capital adequacy requirements to which they are subject.

**LIQUIDITY**

Liquidity refers to the Company's ability to generate sufficient cash to fund current loan demand, meet deposit withdrawals, pay operating expenses and meet other obligations. The Company's primary sources of liquidity are cash and cash equivalents, which totaled \$19.6 million at March 31, 2009, an increase of \$6.8 million from \$12.7 million at December 31, 2008. Net income, securities available-for-sale, and loan repayments also serve as sources of liquidity. Cash and cash equivalents and estimated principal cash flow and maturities on investments maturing within one year represent 11.9% of total assets as of March 31, 2009 compared to 6.6% of total assets at year-end 2008. Other sources of liquidity include, but are not limited to, purchase of federal funds, advances from the FHLB, adjustments of interest rates to attract deposits, and borrowing at the Federal Reserve discount window. Management believes that its sources of liquidity are adequate to meet cash flow obligations for the foreseeable future.

**OFF-BALANCE SHEET ARRANGEMENTS**

We do not have any off-balance sheet arrangements (as such term is defined in applicable Securities and Exchange Commission rules) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

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CSB BANCORP, INC.  
 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in the quantitative and qualitative disclosures about market risks as of March 31, 2009, from that presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Management performs a quarterly analysis of the Company's interest rate risk. All positions are currently within the Company's board-approved policy.

The following table presents an analysis of the estimated sensitivity of the Company's annual net interest income to sudden and sustained 100 and 200 basis point changes in market interest rates at March 31, 2009 and December 31, 2008:

**March 31, 2009**

| Changes in<br>Interest Rates<br>(basis points) | Net Interest<br>Income<br>(Dollars in Thousands) | Dollar<br>Change | Percentage<br>Change |
|--|--|------------------|----------------------|
| +200   | 16,063   | \$ 674           | 4.4%                 |
| +100   | 15,777   | 388              | 2.5                  |
| 0  | 15,389   | 0                | 0.0                  |
| -100   | N/A  | N/A              | N/A                  |
| -200   | N/A  | N/A              | N/A                  |

**December 31, 2008**

| Changes in<br>Interest Rates<br>(basis points) | Net Interest<br>Income<br>(Dollars in Thousands) | Dollar<br>Change | Percentage<br>Change |
|--|--|------------------|----------------------|
| +200   | \$ 16,084  | \$ 651           | 4.2%                 |
| +100   | 15,786   | 353              | 2.3                  |
| 0  | 15,433   | 0                | 0.0                  |
| -100   | 15,532   | 99               | 0.6                  |
| -200   | N/A  | N/A              | N/A                  |

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CSB BANCORP, INC.

**ITEM 4T CONTROLS AND PROCEDURES**

With the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act )) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that:

- (a) information required to be disclosed by the Company in this Quarterly Report on Form 10-Q would be accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure;
- (b) information required to be disclosed by the Company in this Quarterly Report on Form 10-Q would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- (c) the Company's disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to the Company and its consolidated subsidiary is made known to them, particularly during the period for which our periodic reports, including this Quarterly Report on Form 10-Q, are being prepared.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There were no changes during the period covered by this Quarterly Report on Form 10-Q in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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CSB BANCORP, INC.  
FORM 10-Q  
Quarter ended March 31, 2009  
PART II OTHER INFORMATION

**ITEM 1 LEGAL PROCEEDINGS**

There are no matters required to be reported under this item.

**ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There are no matters required to be reported under this item.

**Issuer Purchase of Equity Securities**

| Period                                | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid<br>Per<br>Share | Total Number<br>of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans | Maximum<br>Number of<br>Shares<br>that May Yet be<br>Purchased<br>Under<br>the Plan |
|---------------------------------------|---|--|---|---|
| January 1, 2009 to January 31, 2009   |   |  |   | 41,471  |
| February 1, 2009 to February 28, 2009 |   |  |   | 41,471  |
| March 1, 2009 to March 31, 2009       |   |  |   | 41,471  |

On July 7, 2005 CSB Bancorp, Inc. filed Form 8-k with the Securities and Exchange Commission announcing that its Board of Directors approved a Stock Repurchase Program authorizing the repurchase of up to 10% of the Company's common shares then outstanding. Repurchases will be made from time to time as market and business conditions warrant, in the open market, through block purchases and in negotiated private transactions.

**ITEM 3 Defaults Upon Senior Securities:**

There are no matters required to be reported under this item.

**ITEM 4 Submission of Matters to a Vote of Security Holders:**

There are no matters required to be reported under this item.

**ITEM 5 Other Information:**

There are no matters required to be reported under this item.

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CSB BANCORP, INC.  
FORM 10-Q  
Quarter ended March 31, 2009  
PART II OTHER INFORMATION

**ITEM 6 Exhibits:**

| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>  |
|---------------------------|---|
| 3.1                       | Amended Articles of Incorporation of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-KSB for the Fiscal Year ended December 31, 1994)  |
| 3.1.1                     | Amended form of Article Fourth of Amended Articles of Incorporation, as effective April 9, 1998 (incorporated by reference to Registrant's Form 10-K for the Fiscal Year ended December 31, 1998) |
| 3.2                       | Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB)   |
| 4                         | Specimen stock certificate (incorporated by reference to Registrant's Form 10-SB.)  |
| 11                        | Statement Regarding Computation of Per Share Earnings (reference is hereby made to Consolidated Statements of Income on page 4 hereof.)   |
| 31.1                      | Rule 13a-14(a)/15d-14(a) CEO's Certification  |
| 31.2                      | Rule 13a-14(a)/15d-14(a) CFO's Certification  |
| 32.1                      | Section 1350 CEO's Certification  |
| 32.2                      | Section 1350 CFO's Certification  |

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CSB BANCORP, INC.  
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CSB BANCORP, INC.  
(Registrant)

Date: May 14, 2009

/s/ Eddie L. Steiner  
Eddie L. Steiner  
President  
Chief Executive Officer

Date: May 14, 2009

/s/ Paula J. Meiler  
Paula J. Meiler  
Senior Vice President  
Chief Financial Officer

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CSB BANCORP, INC.  
Index to Exhibits

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| 31.1                      | Rule 13a-14(a)/15d-14(a) CEO's Certification  |
| 31.2                      | Rule 13a-14(a)/15d-14(a) CFO's Certification  |
| 32.1                      | Section 1350 CEO's Certification  |
| 32.2                      | Section 1350 CFO's Certification  |

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