CSB BANCORP INC /OH
Form 10-Q
November 13, 2007

Table of Contents

CSB BANCORP, INC.
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended: September 30, 2007

OR

o **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 þ No o

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 o Accelerated filer o Non-accelerated filer þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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 12, 2007: 2,452,948 common shares

CSB BANCORP, INC.
FORM 10-Q
QUARTER ENDED September 30, 2007

Table of Contents

Table of Contents

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

	September 30, 2007	December 31, 2006
ASSETS		
Cash and due from banks	$ 11,197,845	$ 12,643,440
Interest-earning deposits in other banks	75,179	9,748
Federal funds sold		5,000,000
Total cash and cash equivalents	11,273,024	17,653,188
Securities available-for-sale, at fair value	63,052,850	67,135,126
Restricted stock, at cost	3,105,900	3,105,900
Total securities	66,158,750	70,241,026
Loans	245,626,368	232,431,938
Less allowance for loan losses	2,554,489	2,607,118
Net loans	243,071,879	229,824,820
Premises and equipment, net	7,397,612	7,390,182
Accrued interest receivable and other assets	2,219,472	2,130,631
Total Assets	$ 330,120,737	$ 327,239,847
LIABILITIES		
Deposits		
Noninterest-bearing	$ 42,329,684	$ 44,455,131
Interest-bearing	211,264,649	215,722,541
Total deposits	253,594,333	260,177,672
Short-term borrowings	31,783,926	28,022,077
Other borrowings	7,107,511	2,499,399
Accrued interest payable and other liabilities	1,686,784	1,470,379
Total liabilities	294,172,554	292,169,527

SHAREHOLDERS EQUITY		
Common stock, $6.25 par value: Authorized 9,000,000 shares; issued 2,667,786 shares	16,673,667	16,673,667
Additional paid-in capital	6,446,180	6,427,765
Retained earnings	17,552,129	16,248,608
Treasury stock at cost: 204,906 shares in 2007 and 168,605 shares in 2006	(4,348,987)	(3,696,102)
Accumulated other comprehensive loss	(374,806)	(583,618)
Total shareholders equity	35,948,183	35,070,320
Total Liabilities and Shareholders Equity	$ 330,120,737	$ 327,239,847

See notes to unaudited consolidated financial statements.

3.

Table of Contents

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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Interest income				
Loans, including fees	$ 4,633,268	$ 4,325,203	$ 13,433,102	$ 12,294,678
Taxable securities	720,952	735,071	2,205,401	2,272,037
Nontaxable securities	62,931	95,495	198,060	297,011
Other	944	297	16,324	7,136
Total interest income	5,418,095	5,156,066	15,852,887	14,870,862
Interest expense				
Deposits	1,608,916	1,440,410	4,763,015	3,880,245
Other	419,497	421,566	1,169,545	1,129,321
Total interest expense	2,028,413	1,861,976	5,932,560	5,009,566
Net interest income	3,389,682	3,294,090	9,920,327	9,861,296
Provision for loan losses	151,264	75,000	353,540	221,667
Net interest income after provision for loan losses	3,238,418	3,219,090	9,566,787	9,639,629
Non-interest income				
Service charges on deposit accounts	335,536	325,029	927,894	977,755
Trust and financial services	188,598	135,904	544,873	392,495
Insurance recovery			186,526	
Credit card fee income	63,818	73,349	192,623	219,915
Debit card interchange	85,551	55,322	201,354	154,426
Securities gains			5,430	
Other income	88,778	86,738	251,573	234,401
Total non-interest income	762,281	676,342	2,310,273	1,978,992
Non-interest expenses				
Salaries and employee benefits	1,485,842	1,538,491	4,327,845	4,459,994
Occupancy expense	188,166	176,360	554,439	515,104
Equipment expense	131,192	118,813	372,324	376,326
State franchise tax	105,892	113,425	311,971	334,817
Professional and director fees	147,009	171,042	453,151	519,494

Cash loss				236,526
Other expenses	664,008	585,737	1,968,762	1,877,537
Total non-interest expenses	2,722,109	2,703,868	7,988,492	8,319,798
Income before income taxes	1,278,590	1,191,564	3,888,568	3,298,823
Federal income tax provision	415,500	378,000	1,254,500	1,034,700
Net income	$ 863,090	$ 813,564	$ 2,634,068	$ 2,264,123
Basic and diluted earnings per share	$ 0.35	$ 0.32	$ 1.07	$ 0.89

See notes to unaudited consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Balance at beginning of period	$ 35,119,135	$ 33,798,998	$ 35,070,320	$ 35,170,259
Comprehensive income (loss):				
Net income	863,090	813,564	2,634,068	2,264,123
Change in net unrealized loss, net of reclassification adjustments and related income taxes $207,217, $387,845, $107,570, and $(36,518), respectively	402,244	752,875	208,812	(70,889)
Total comprehensive income	1,265,334	1,566,439	2,842,880	2,193,234
Issuance of 40 shares from treasury			641	
Stock-based compensation expense	7,165	2,525	18,415	7,575
Purchase of treasury shares	(131)	(414,726)	(654,114)	(1,603,890)
Cash dividends declared ($0.18 and $0.54 per share in 2007 and $0.16 and $0.48 per share in 2006)	(443,320)	(399,916)	(1,329,959)	(1,213,858)
Balance at end of period	$ 35,948,183	$ 34,553,320	$ 35,948,183	$ 34,553,320

See notes to unaudited consolidated financial statements.

5.

Table of Contents

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

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Net cash from operating activities	$ 3,067,230	$ 3,787,731
Cash flows from investing activities		
Securities available-for-sale:		
Proceeds from maturities, calls and repayments	6,529,688	8,715,847
Purchases	(2,156,064)	(1,589)
Purchase of FHLB stock		(116,700)
Proceeds from sale of other real estate	59,096	412,500
Net change in loans	(13,664,910)	(15,028,161)
Premises and equipment expenditures, net	(461,715)	(187,576)
Net cash used for investing activities	(9,693,905)	(6,205,679)
Cash flows from financing activities		
Net change in deposits	(6,583,339)	(5,797,653)
Net change in short-term borrowings	3,761,849	10,004,365
Proceeds from other borrowings	5,000,000	
Repayment of other borrowings	(391,888)	(5,473,773)
Purchase of treasury shares	(654,113)	(1,603,890)
Issuance of treasury shares	641	
Cash dividends paid	(886,639)	(813,942)
Net cash provided by (used for) financing activities	246,511	(3,684,893)
Net change in cash and cash equivalents	(6,380,164)	(6,102,841)
Cash and cash equivalents at beginning of period	17,653,188	16,649,976
Cash and cash equivalents at end of period	$ 11,273,024	$ 10,547,135
Supplemental disclosures		
Interest paid	$ 5,816,914	$ 4,954,291
Income taxes paid	1,560,000	655,000
Non-cash investing activity-transfer of loans to OREO		39,560

See notes to unaudited consolidated financial statements.

Table of Contents

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 September 30, 2007, 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, 2006, 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 September 30, 2007 are not necessarily indicative of the operating results for the full year or any future interim period.

Table of Contents

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

NOTE 2 SECURITIES

Securities consist of the following at September 30, 2007 and December 31, 2006:

September 30, 2007	**Amortized Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair Value**
Available-for-sale:				
U.S. Treasury security	$ 99,930	$ 1,109	$	$ 101,039
Obligations of U.S. government corporations and agencies	31,494,529	6,922	220,991	31,280,460
Mortgage-backed securities	26,485,843	2,745	380,906	26,107,682
Obligations of states and political subdivisions	5,167,316	67,302	1,329	5,233,289
Total debt securities	63,247,618	78,078	603,226	62,722,470
Equity Securities	373,120	684	43,424	330,380
Total available-for-sale	63,620,738	78,762	646,650	63,052,850
Restricted stock	3,105,900			3,105,900
Total securities	$ 66,726,638	$ 78,762	$ 646,650	$ 66,158,750

December 31, 2006	**Amortized Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair Value**
Available-for-sale:				
U.S. Treasury security	$ 99,992	$	$ 172	$ 99,820
Obligations of U.S. government corporations and agencies	33,493,189		576,494	32,916,695
Mortgage-backed securities	28,453,336	591	405,963	28,047,964
Obligations of states and political subdivisions	5,666,915	103,482	1,103	5,769,294
Total debt securities	67,713,432	104,073	983,732	66,833,773
Equity Securities	305,965	8,194	12,806	301,353
Total available-for-sale	68,019,397	112,267	996,538	67,135,126
Restricted stock	3,105,900			3,105,900
Total securities	$ 71,125,297	$ 112,267	$ 996,538	$ 70,241,026

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 September 30, 2007 as compared to December 31, 2006, and the consolidated results of operations for the quarterly period ending September 30, 2007 compared to the same period in 2006. 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 sim 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 $330.1 million at September 30, 2007, compared to $327.2 million at December 31, 2006, representing an increase of $2.9 million or 0.9%. Cash and cash equivalents decreased $6.4 million, or 36.1%, during the nine-month period ending September 30, 2007, due to a $1.4 million decrease in cash and due from banks and a $5.0 million decrease in Federal funds sold. Securities decreased $4.1 million or 5.8% during the first nine months of 2007 primarily due to maturities and principal repayments. Net loans increased $13.2 million, or 5.8%, while deposits decreased $6.6 million, or 2.5%, during the nine-month period. Short-term borrowings of Federal funds purchased, securities sold under repurchase agreement and Federal Home Loan Bank borrowings increased $3.8 million, while other borrowings increased $4.6 million during the period as a liquidity source to cover loan demand and decreased deposit balances.

Net loans increased $13.2 million, or 5.8%, during the nine-month period ended September 30, 2007. This increase was due to a combination of increased loan demand and production within the Company s market area. The increase in balances was concentrated in commercial loans of $9.6 million and mortgage loans of $5.2 million, with a decline in consumer credit balances of $1.6 million. The allowance for loan losses amounted to $2,554,000, or 1.04% of total loans at September 30, 2007 compared to $2,607,000 or 1.12% of total loans at December 31, 2006.

Table of Contents

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

The decrease in the allowance for loan losses as a percentage of total loans is attributed to both loan growth and the recognition of losses during the period. The components of the change in the allowance for loan losses during the nine-month period ended September 30, 2007, included a provision of $354,000 and net loan charge-offs of $459,000. Loans past due more than 90 days and still accruing interest, and loans placed on nonaccrual status, aggregated $1,092,000, or 0.44% of total loans at September 30, 2007, compared to $1,509,000 or 0.65% of total loans at December 31, 2006.

The ratio of gross loans to deposits was 96.9%, compared to 89.3% at December 31, 2006. The increase in this ratio is due to loan growth coupled with deposit shrinkage experienced during the nine months ended September 30, 2007.

The Company had net unrealized losses of $568,000 within its securities portfolio at September 30, 2007, compared to net unrealized losses of $884,000 at December 31, 2006. Management has considered industry analyst reports, sector credit reports and the volatility within the bond market in concluding that the gross unrealized losses of $647,000 within the portfolio as of September 30, 2007, were primarily the result of customary and expected fluctuations in the bond market. As a result, all security impairments as of September 30, 2007, are considered temporary.

As of September 30, 2007, Management evaluated the three (3) private label CMO s held within the investment portfolio for loans to borrowers with low FICO scores. Within this investment sector, the Company has $4.7 million current value investments, original face of $6.5 million, with gross unrealized losses of $28 thousand. All bonds are rated AAA on September 30, 2007, 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 increased $3.8 million from December 31, 2006 and other borrowings increased $4.6 million as the Company borrowed a $5 million longer-term advance from the Federal Home Loan Bank (FHLB).

Total shareholders equity amounted to $35.9 million, or 10.9%, of total assets, at September 30, 2007, compared to $35.1 million, or 10.7% of total assets, at December 31, 2006. The increase in shareholders equity during the nine months ended September 30, 2007 was due net income of $2,634,000 and a decrease in unrealized losses on available-for-sale securities. These gains were partially offset by purchases of $654,000 of treasury shares and dividends declared of $1,330,000. The Company and its subsidiary bank met all regulatory capital requirements at September 30, 2007.

RESULTS OF OPERATIONS

Three months ended September 30, 2007 and 2006

For the quarter ended September 30, 2007, the Company recorded net income of $863,000, or $0.35 per share, as compared to net income of $814,000, or $0.32 per share for the quarter ended September 30, 2006. The $49,000 increase in net income for the quarter was principally due to a $96,000 increase in net interest income and an $86,000 increase in non-interest income. These gains were offset by a $76,000 increase in the provision for loan losses, a $38,000 increase in the federal income tax provision and a $18,000 increase in non-interest expenses.

Table of Contents

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

Interest income for the quarter ended September 30, 2007, was $5,418,000, representing a $262,000 increase, or 5.1%, compared to the same period in 2006. This increase was primarily due to an increase in loan volume and interest rates. Interest expense for the quarter ended September 30, 2007 was $2,028,000, an increase of $166,000, or 8.9%, from the same period in 2006. The increase in interest expense occurred due to an increase in average rates paid across the board on deposits, while borrowing rates declined from 4.37% to 4.24% for the quarter ended September 30, 2007. During third quarter 2007, lower rate maturing time deposits renewed at interest rates that are currently higher. Additionally, some customers continue to shift funds from lower yielding deposits to higher yielding time deposits.
The provision for loan losses for the quarter ended September 30, 2007, was $151,000, compared to a $75,000 provision for the same quarter in 2006. 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 September 30, 2007, was $762,000, an increase of $86,000, or 12.7%, compared to the same quarter in 2006. This increase was primarily due to increases in Trust and brokerage fees of $53,000 a result of increased asset values and fees and a $30,000 increase in debit card interchange income. These gains were partially offset by a reduction of $10,000 in other credit card fee income.
Non-interest expenses for the quarter ended September 30, 2007, increased $18,000, or 0.7%, compared to the third quarter of 2006. This increase was due in part to increased occupancy and equipment expenses from opening a new branch office in the Orrville, Ohio market as well as a complete remodeling of the South Clay Street office in Millersburg to accommodate the consolidation and closing of 6 West Jackson Street. Other increases in expenses were recorded in marketing and an ATM debit card vendor conversion in the third quarter of 2007. Salaries and employee benefits decreased $52,000, or 3.3%, primarily the result of increased third quarter 2006 bonus accruals. Professional and directors fees decreased due to a lower number of outside directors as well as reduced fees payable to a third party vendor in connection with the overdraft privilege program.
Federal income tax expense increased $38,000, or 10.0% for the quarter ended September 30, 2007 as compared to the third quarter of 2006. The provision for income taxes was $416,000 (effective rate of 32.5%) for the three months ended September 30, 2007, compared to $378,000 (effective rate of 31.7%) for the three months ended September 30, 2006. The increase in the effective tax rate resulted from a decrease in tax-exempt interest income as a portion of total income before income taxes.

Nine months ended September 30, 2007 and 2006

Net income for the nine months ending September 30, 2007, was $2,634,000, or $1.07 per share, as compared to $2,264,000 or $0.89 per share during the same period in 2006. Return on average assets and return on average equity were 1.08% and 9.92%, respectively, for the nine-month period of 2007, compared to .95% and 8.69%, respectively for 2006.
Net interest income increased $59,000 or 0.6% to $9,920,000 for the nine months ended September 30, 2007 s compared to the same period in 2006. Comparative net income grew because of an equivalent increase in non-interest income of $331,000 and a $331,000 decrease in non-interest expenses compared to the same period in 2006. The improvements in net income were partially offset by an increase to the provision to loan losses of $132,000.

Table of Contents

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

Interest income for the nine months ended September 30, 2007, was $15,853,000 an increase of $982,000 or 6.6% from the same period in 2006. Interest income on loans increased $1,138,000, or 9.3%, for the nine months ended September 30, 2007, as compared to the same period in 2006. This increase was primarily due to an increase in average gross loan balances of $15.6 million coupled with an interest rate increase of 16 basis points for the comparable nine-month periods. Interest income on securities decreased $166,000, or 6.4%, as average investment balances decreased $8.1 million.

Interest expense increased $923,000 to $5,933,000 for the nine months ended September 30, 2007, compared to the nine months ended September 30, 2006. Interest expense on deposits increased $883,000, or 22.8%, from the same period as last year, while interest expense on other borrowings increased $40,000 or 3.6%. The increase in interest expense has been caused by higher interest rates being paid across the board on interest-bearing deposit accounts and short-term borrowings. Lower rate time deposits continue to renew at higher interest rates and some depositors have moved monies from lower yielding saving instruments to higher rate short-term time deposits and the competition for deposits continues to increase. The net interest margin declined by 10 basis points for the nine-month period ended September 30, 2007, to 4.36%, from 4.46% for the same period in 2006.

The provision for loan losses was $354,000 during the first nine months of 2007, compared to $222,000 in the same nine-month period of 2006. The provision or credit 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 increased $331,000, or 16.7%, during the nine months ended September 30, 2007, as compared to the same period in 2006. The increase in non-interest income was partially due to the recovery of an insurance claim of $187,000 resulting from a prior period cash irregularity. Trust and brokerage fees increased $152,000, or 38.8%, from the same period in 2006 while service charges on deposits declined $50,000 or 5.1% as customers used the overdraft privilege product less frequently in 2007 as compared to 2006, following the product s introduction.

Non-interest expenses decreased $331,000, or 4.0%, for the nine months ended September 30, 2007, compared to the same period in 2006. The cash irregularity of $237,000 occurred during the nine-month period ended September 30, 2006. Salaries and employee benefits decreased $132,000, or 3.0%, primarily due to managerial staff decreases during 2007 and lower overall bonuses paid during the first quarter of 2007. Professional and directors fees decreased due to a lower number of outside directors as well as reduced fees payable to a third party vendor in connection with the overdraft privilege program. Occupancy and telephone expense have increased during the first nine-months of 2007 as compared with 2006 due to the opening of the Orrville area branch and remodeling and consolidation of the Millersburg downtown offices.

The provision for income taxes was $1,255,000 (effective rate of 32.3%) for the nine months ended September 30, 2007, compared to $1,035,000 (effective rate of 31.4%) for the nine months ended September 30, 2006. The increase in the effective tax rate resulted from a decrease in tax-exempt interest income as a portion of total income before income taxes.

Table of Contents

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

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, 2006, and as of September 30, 2007 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 $11.3 million at September 30, 2007, a decrease of $6.4 million from $17.7 million at December 31, 2006. 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 9.6% of total assets as of September 30, 2007 compared to 6.3% of total assets at year-end 2006. 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.

CONTRACTUAL OBLIGATIONS

During the first nine months of 2007, the Company s contractual obligations have not changed materially from those discussed in the Company s Annual Report of Form 10-K for the year ended December 31, 2006.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements*, which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

Table of Contents

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS-(continued)

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, which provides all entities with an option to report selected financial assets and liabilities at fair value. The objective of the FAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. FAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of FAS No. 157, *Fair Value Measurements*. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 is an interpretation of FAS No. 109, *Accounting for Income Taxes*, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company s results of operations.

Table of Contents

CSB BANCORP, INC.

ITEM 3 QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the quantitative and qualitative disclosures about market risks as of September 30, 2007, from that presented in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006. 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 basis point changes in market interest rates at September 30, 2007 and December 31, 2006:

September 30, 2007

Changes in Interest Rates (basis points)	Net Interest Income	Dollar Change	Percentage Change
	(Dollars in Thousands)		
+200	$13,998	$ 433	3.2%
+100	13,736	171	1.3
0	13,565	0	0.0
-100	13,419	(146)	(1.1)
-200	13,140	(425)	(3.1)

December 31, 2006

Changes in Interest Rates (basis points)	Net Interest Income	Dollar Change	Percentage Change
	(Dollars in Thousands)		
+200	$14,165	$ 682	5.1%
+100	13,767	284	2.1
0	13,483	0	0.0
-100	13,290	(193)	(1.4)
-200	12,937	(546)	(4.1)

CSB BANCORP, INC.

ITEM 4 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.

Table of Contents

CSB BANCORP, INC.
FORM 10-Q
Quarter ended September 30, 2007
PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

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

ITEM 1A RISK FACTORS

There were no material changes to the Risk Factors described in Item 1A in the Company s Annual Report on Form 10-K for the period ended December 31, 2006.

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 Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plan
July 1, 2007 to July 31, 2007	None	None	None	82,376
August 1, 2007 to August 31, 2007	8	$17.00	8	82,368
September 1, 2007 to September 30, 2007	None	None	None	82,368

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

CSB BANCORP, INC.
FORM 10-Q
Quarter ended September 30, 2007
PART II OTHER INFORMATION

Item 6 Exhibits:

Exhibit Number	Description of Document
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

Table of Contents

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: November 12, 2007	/s/ Eddie L. Steiner
	Eddie L. Steiner President Chief Executive Officer
Date: November 12, 2007	/s/ Paula J. Meiler
	Paula J. Meiler Senior Vice President Chief Financial Officer

CSB BANCORP, INC.
Index to Exhibits

Exhibit Number	Description of Document	Sequential Page
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	

20.