

CSB BANCORP INC /OH
Form 10-Q
May 09, 2008

Table of Contents

CSB BANCORP, INC.

**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, 2008

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 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. (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 as May 9, 2008:
2,440,850 common shares

CSB BANCORP, INC.
FORM 10-Q
QUARTER ENDED March 31, 2008
Table of Contents

	Page
<u>Part I Financial Information</u>	
<u>ITEM 1 - FINANCIAL STATEMENTS (Unaudited)</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to the Consolidated Financial Statements</u>	7
<u>ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	10
<u>ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	14
<u>ITEM 4 - CONTROLS AND PROCEDURES</u>	15
<u>Part II Other Information</u>	
<u>ITEM 1 Legal Proceedings</u>	16
<u>1A Risk Factors</u>	16
<u>2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
<u>3 Defaults upon Senior Securities</u>	16
<u>4 Submission of Matters to a Vote of Security Holders</u>	16
<u>5 Other Information</u>	16
<u>6 Exhibits</u>	17
<u>Signatures</u>	18
<u>EX-11</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents

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

	March 31, 2008	December 31, 2007
ASSETS		
Cash and due from bank	\$ 10,445,660	\$ 12,111,807
Interest-earning deposits in other banks	40,052	81,555
Federal funds sold	14,300,000	
Total cash and cash equivalents	24,785,712	12,193,362
Securities available-for-sale, at fair value	63,243,672	71,419,830
Restricted stock, at cost	3,142,900	3,105,900
Total securities	66,386,572	74,525,730
Loans	246,983,893	256,659,059
Less allowance for loan losses	2,690,830	2,585,901
Net loans	244,293,063	254,073,158
Premises and equipment, net	7,235,361	7,273,238
Accrued interest receivable and other assets	2,107,609	2,204,257
Total Assets	\$ 344,808,317	\$ 350,269,745
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 38,665,336	\$ 46,038,976
Interest-bearing	208,364,076	213,347,066
Total deposits	247,029,412	259,386,042
Short-term borrowings	24,604,161	27,305,157
Other borrowings	33,875,513	26,023,888
Accrued interest payable and other liabilities	2,151,610	1,276,610
Total liabilities	307,660,696	313,991,697
SHAREHOLDERS EQUITY		

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

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	6,455,819	6,452,319
Retained earnings	18,552,852	17,990,445
Treasury stock at cost: 226,936 shares in 2008 and 220,162 shares in 2007	(4,712,735)	(4,599,282)
Accumulated other comprehensive income (loss)	178,018	(239,101)
Total shareholders' equity	37,147,621	36,278,048
Total Liabilities and Shareholders' Equity	\$ 344,808,317	\$ 350,269,745

See notes to unaudited consolidated financial statements.

3.

Table of Contents

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

	Three Months Ended March 31,	
	2008	2007
Interest income		
Loans, including fees	\$ 4,412,704	\$ 4,314,520
Taxable securities	804,622	750,057
Nontaxable securities	43,878	68,511
Other	22,207	13,194
Total interest income	5,283,411	5,146,282
Interest expense		
Deposits	1,427,758	1,553,362
Short-term borrowings	199,042	
Other	276,846	337,628
Total interest expense	1,903,646	1,890,990
Net interest income	3,379,765	3,255,292
Provision for loan losses	107,032	78,005
Net interest income after provision for loan losses	3,272,733	3,177,287
Non-interest income		
Service charges on deposit accounts	287,152	275,471
Trust and financial services	188,664	169,638
Credit card fee income	64,052	63,447
Debit card interchange	70,821	53,982
Gain on sale of credit cards	261,072	
Other income	83,725	83,563
Total non-interest income	955,486	646,101
Non-interest expenses		
Salaries and employee benefits	1,536,903	1,407,180
Occupancy expense	197,881	184,553
Equipment expense	125,450	115,918
State franchise tax	107,430	101,338
Professional and director fees	139,556	141,382
Other expenses	621,239	669,505

Total non-interest expenses	2,728,459	2,619,876
Income before income taxes	1,499,760	1,203,512
Federal income tax provision	498,000	389,000
Net income	\$ 1,001,760	\$ 814,512
Basic and diluted earnings per share	\$ 0.41	\$ 0.33

See notes to unaudited consolidated financial statements.

4.

Table of Contents

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

	Three Months Ended	
	March 31,	
	2008	2007
Balance at beginning of period	\$ 36,278,048	\$ 35,070,320
Comprehensive income:		
Net income	1,001,760	814,512
Change in net unrealized gain, net of reclassification adjustments and related income tax benefit of \$214,879 and \$59,265, respectively	417,119	115,045
Total comprehensive income	1,418,879	929,557
Issuance of 40 shares from treasury		641
Stock-based compensation expense	3,500	11,250
Purchase of treasury shares	(113,453)	(653,222)
Cash dividends declared (\$0.18 per share in 2008 and 2007)	(439,353)	(443,320)
Balance at end of period	\$ 37,147,621	\$ 34,915,26

See notes to unaudited consolidated financial statements.

5.

Table of Contents

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

	Three Months Ended March 31,	
	2008	2007
Net cash from operating activities	\$ 1,216,242	\$ 896,368
Cash flows from investing activities		
Securities available-for-sale:		
Proceeds from maturities, calls and repayments	22,403,914	1,331,608
Purchases	(13,611,007)	(167,061)
Purchase of FHLB stock	(37,000)	
Proceeds from sale of other real estate	105,000	10,000
Loan originations, net of repayments	7,446,531	(3,234,547)
Proceeds from sale of credit cards	2,513,671	
Net change in loans held for sale		(241,000)
Premises and equipment expenditures, net	(125,547)	(171,964)
Net cash provided by (used for) investing activities	18,695,562	(2,472,964)
Cash flows from financing activities		
Net change in deposits	(12,356,630)	(6,646,411)
Net change in short-term borrowings	(2,700,996)	(3,334,306)
Proceeds from other borrowings	8,000,000	5,000,000
Repayment of other borrowings	(148,375)	(174,111)
Purchase of treasury shares	(113,453)	(653,222)
Issuance of treasury shares		641
Cash dividends paid		
Net cash (used for) financing activities	(7,319,454)	(5,807,409)
Net change in cash and cash equivalents	12,592,350	(7,384,005)
Cash and cash equivalents at beginning of period	12,193,362	17,653,188
Cash and cash equivalents at end of period	\$ 24,785,712	\$ 10,269,183
Supplemental disclosures		
Interest paid	\$ 1,918,857	\$ 1,911,848
Income taxes paid		250,000
Non-cash investing activity-transfer of loans to OREO		59,096

See notes to unaudited consolidated financial statements.

6.

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 March 31, 2008, 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, 2007, 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, 2008 are not necessarily indicative of the operating results for the full year or any future interim period.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

7.

Table of Contents

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

NOTE 2 SECURITIES

Securities consist of the following at March 31, 2008 and December 31, 2007:

March 31, 2008

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale:				
U.S. Treasury security	\$ 99,953	\$ 2,742	\$	\$ 102,695
Obligations of U.S. government corporations and agencies	7,000,000	64,400		7,064,400
Mortgage-backed securities	50,862,757	360,711	88,362	51,135,106
Obligations of states and political subdivisions	4,609,484	90,250	24,992	4,674,742
Total debt securities	62,572,194	518,103	113,354	62,976,943
Equity Securities	401,752	779	135,802	266,729
Total available-for-sale	62,973,946	518,882	249,156	63,243,672
Restricted stock	3,142,900			3,142,900
Total securities	\$ 66,116,846	\$ 518,882	\$ 249,156	\$ 66,386,572

December 31, 2007

	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale:				
U.S. Treasury security	\$ 99,944	\$ 1,704	\$	\$ 101,648
Obligations of U.S. government corporations and agencies	25,498,979	18,190	7,904	25,509,265
Mortgage-backed securities	42,682,972	15,639	333,666	42,364,945
Obligations of states and political subdivisions	3,098,457	60,088		3,158,545
Total debt securities	71,380,352	95,621	341,570	71,134,403
Equity Securities	401,752	665	116,990	285,427
Total available-for-sale	71,782,104	96,286	458,560	71,419,830
Restricted stock	3,105,900			3,105,900
Total securities	\$ 74,888,004	\$ 96,286	\$ 458,560	\$ 74,525,730

8.

Table of Contents

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, 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.

	March 31, 2008			Total
	Level I	Level II	Level III	
	(In thousands)			
Assets:				
Securities available for sale	\$266,729	\$62,976,943	\$	\$63,243,672

9.

Table of Contents

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, 2008 as compared to December 31, 2007, and the consolidated results of operations for the quarterly period ending March 31, 2008 compared to the same period in 2007. 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 \$344.8 million at March 31, 2008, compared to \$350.3 million at December 31, 2007, representing a decrease of \$5.5 million or 1.6%. Cash and cash equivalents increased \$12.6 million, or 103.3%, during the three-month period ending March 31, 2008, due to a \$14.3 million increase in Federal funds sold and a \$1.7 million decrease in cash and due from banks. Securities decreased \$8.1 million or 10.9% during the first three months of 2008 primarily due to calls within the US Agency portfolio and principal repayments within the mortgage-backed securities portfolio. Net loans decreased \$9.8 million, or 3.8%, while deposits decreased \$12.4 million, or 4.8%, during the three-month period. Short-term borrowings of Federal funds purchased, securities sold under repurchase agreement and Federal Home Loan Bank borrowings decreased \$2.7 million, while other borrowings increased \$7.9 million during the period as a \$10 million investment leverage strategy was executed during the first quarter 2008.

Net loans decreased \$9.8 million, or 3.8%, during the three-month period ended March 31, 2008. The credit card portfolio with outstanding balances of \$2.2 million was sold during the quarter. The company recognized a net gain on the sale of \$261,000. These cards represented less than 1% of loans outstanding. Additional loan balance decreases occurred due to a payoff of several rate sensitive commercial loans as very low fixed rate commercial loan rates were being offered within the Company's market area. Consumer home equity lines recognized a \$1.0 million or 4.9% balance increase for the quarter over December 31, 2007. The allowance for loan losses amounted to \$2,691,000, or 1.09% of total loans at March 31, 2008 compared to \$2,586,000 or 1.01% of total loans at December 31, 2007.

10.

Table of Contents

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

The increase in the allowance for loan losses as a percentage of total loans is attributed to the additional provision of \$107,000 during the quarter, minimal net charge-offs of \$2,100 for the quarter and the decline of outstanding loan balances. The Company continues to reflect improved credit quality with the reduction of non-performing loans and other real estate owned at March 31, 2008 in comparison to December 31, 2007 and March 31, 2007.

	March 31, 2008	December 31, 2007	March 31, 2007
Non-performing loans	431,000	571,000	1,536,000
Other real estate		101,700	49,100
Allowance for loan losses	2,690,800	2,585,900	2,654,700
Total loans	246,983,900	256,659,100	235,576,900
Allowance: loans	1.09%	1.01%	1.13%
Allowance: non-performing loans	6.2x	4.5x	1.7x

The ratio of gross loans to deposits was 100.0% at March 31, 2008, compared to 98.93% at December 31, 2007. The increase in this ratio is primarily the result of deposit shrinkage experienced during the three months ended March 31, 2008.

The Company had net unrealized gains of \$270,000 within its securities portfolio at March 31, 2008, compared to net unrealized losses of \$362,000 at December 31, 2007. Management has considered industry analyst reports, sector credit reports and the volatility within the bond market in concluding that the gross unrealized losses of \$249,000 within the portfolio as of March 31, 2008, were primarily the result of customary and expected fluctuations in the bond market. As a result, all security impairments as of March 31, 2008, are considered temporary.

Management continues to evaluate the three (3) private label CMO's held within the investment portfolio for any deterioration of investment quality. As of March 31, 2008, within this investment sector, the Company has \$4.5 million current value investments, original face of \$6.5 million, with gross unrealized losses of \$62 thousand. All bonds are rated AAA on March 31, 2008, 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 \$2.7 million from December 31, 2007 and other borrowings increased \$7.9 million as the Company borrowed a \$10 million in medium-term advances (1-4 years) from the Federal Home Loan Bank (FHLB) to fund \$10 million in an investment leverage strategy.

Deposits decreased \$12.4 million, or 4.8% from December 31, 2007 with non-interest bearing deposits declining \$7.4 million and interest-bearing deposit accounts decreasing \$5.0 million. By deposit type, increases were recognized only in money market savings accounts and term deposits greater than \$100 thousand. The bank is subject to a first quarter seasonality decrease within its deposit accounts due to its commercial customer base reliance on logging, sawmills, and lumber as well as the tourism and lodging business. On a daily average, deposit balances decreased \$4.7 million or 1.8% during the first quarter 2008 to \$251.0 million declining from a daily average of \$255.7 million for the fourth quarter 2007.

11.

Table of Contents

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

Total shareholders' equity amounted to \$37.1 million, or 10.8%, of total assets, at March 31, 2008, compared to \$36.3 million, or 10.4% of total assets, at December 31, 2007. The increase in shareholders' equity during the three months ended March 31, 2008 was due net income of \$1,002,000 and an increase in unrealized gains on available-for-sale securities. These gains were partially offset by purchases of \$113,000 of treasury shares and dividends declared of \$439,000. The Company and its subsidiary bank met all regulatory capital requirements at March 31, 2008.

RESULTS OF OPERATIONS

Three months ended March 31, 2008 and 2007

For the quarter ended March 31, 2008, the Company recorded net income of \$1,002,000, or \$0.41 per share, as compared to net income of \$815,000, or \$0.33 per share for the quarter ended March 31, 2007. The \$187,000 increase in net income for the quarter was principally due to a \$261,000 gain on the sale of the credit card portfolio, \$124,000 increase in net interest income and an \$48,000 increase in non-interest income. These gains were offset by a \$29,000 increase in the provision for loan losses, a \$109,000 increase in the federal income tax provision and a \$109,000 increase in non-interest expenses.

Interest income for the quarter ended March 31, 2008, was \$5,283,000, representing a \$137,000 increase, or 2.7%, compared to the same period in 2007. This increase was primarily due to an increase in loan volume and both investment volume and interest rate. Interest expense for the quarter ended March 31, 2008 was \$1,904,000, an increase of \$13,000, or 0.7%, from the same period in 2007. The increase in interest expense occurred due to an increase in borrowing volume to support asset funding for the quarter ended March 31, 2008. During first quarter 2008, maturing time deposits renewed at interest rates that were lower.

The provision for loan losses for the quarter ended March 31, 2008, was \$107,000, compared to a \$78,000 provision for the same quarter in 2007. 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, 2008, was \$955,000, an increase of \$309,000, or 47.9%, compared to the same quarter in 2007. This increase was primarily due to gain on the sale of the credit card portfolio of \$261,000 while other increases in other core fees and services were recognized in service charges on deposit accounts of \$12,000, Trust and brokerage fees of \$19,000 and a \$17,000 increase in debit card interchange income.

Non-interest expenses for the quarter ended March 31, 2008, increased \$109,000, or 4.1%, compared to the first quarter of 2007. An increase in occupancy and equipment expense results from a full quarter's recognition of expenses in 2008 as compared to 2007 from the opening of a branch office in the Orrville, Ohio market in March 2007. Salaries and employee benefits increased \$130,000, or 9.2%, primarily the result of increased salary levels due to merit increases, increased medical and retirement benefits and increased bonus accruals based on projections of incentive goals. Other expenses declined with reductions in postage, paper and printing, and telephone expense.

12.

Table of Contents

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

Federal income tax expense increased \$109,000, or 28.0% for the quarter ended March 31, 2008 as compared to the first quarter of 2007. The provision for income taxes was \$498,000 (effective rate of 33.2%) for the three months ended March 31, 2008, compared to \$389,000 (effective rate of 32.3%) for the three months ended March 31, 2007. The increase in the effective tax rate resulted from a decrease in tax-exempt interest income and increased income generated by the company.

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, 2007, and as of March 31, 2008 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 \$24.8 million at March 31, 2008, an increase of \$12.6 million from \$12.2 million at December 31, 2007. 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 15.7% of total assets as of March 31, 2008 compared to 4.5% of total assets at year-end 2007. 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.

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 March 31, 2008, from that presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. 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 March 31, 2008 and December 31, 2007:

March 31 2008

Changes in Interest Rates (basis points)	Net Interest Income (Dollars in Thousands)	Dollar Change	Percentage Change
+200	\$ 14,667	\$ 884	6.4%
+100	14,212	429	3.1
0	13,783	0	0.0
-100	13,449	(334)	(2.4)
-200	13,027	(756)	(5.5)

December 31, 2007

Changes in Interest Rates (basis points)	Net Interest Income (Dollars in Thousands)	Dollar Change	Percentage Change
+200	\$ 14,682	\$ 506	3.6%
+100	14,457	281	2.0
0	14,176	0	0.0
-100	13,988	(188)	(1.3)
-200	13,646	(530)	(3.7)

14.

Table of Contents

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.

15.

Table of Contents

CSB BANCORP, INC.
FORM 10-Q
Quarter ended March 31, 2008
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, 2007.

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
January 1, 2008 to January 31, 2008	None	None	None	67,111
February 1, 2008 to February 29, 2008	6,774.04	\$16.75	6,774.04	60,337
March 1, 2008 to March 31, 2008	None	None	None	60,337

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

Table of Contents

CSB BANCORP, INC.
FORM 10-Q
Quarter ended March 31, 2008
PART II OTHER INFORMATION

Item 6 Exhibits:

Exhibit Number	Description of Document
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 3, 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

17.

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: May 9, 2008

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

Date: May 9, 2008

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

18.

Table of Contents

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	

19.