

CSB BANCORP INC /OH  
Form 10-Q  
May 14, 2010

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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, 2010**

**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, 2010:

2,734,799 common shares



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

(dollars in thousands, except per share data)	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and due from bank	\$ 7,538	\$ 8,803
Interest-earning deposits in other banks	29,144	33,858
Total cash and cash equivalents	36,682	42,661
Securities available-for-sale, at fair value	68,264	75,158
Restricted stock, at cost	5,463	5,463
Total securities	73,727	80,621
Loan held for sale	670	340
Loans	310,899	313,482
Less allowance for loan losses	4,356	4,059
Net loans	306,543	309,423
Premises and equipment, net	8,224	8,354
Bank owned life insurance	2,880	2,854
Core deposit intangible	453	469
Goodwill	1,725	1,725
Accrued interest receivable and other assets	4,718	4,219
Total Assets	\$ 435,622	\$ 450,666
<b>LIABILITIES</b>		
Deposits		
Noninterest-bearing	\$ 52,607	\$ 53,974
Interest-bearing	273,597	275,512
Total deposits	326,204	329,486
Short-term borrowings	29,621	28,764
Other borrowings	32,210	45,010
Accrued interest payable and other liabilities	1,416	1,584
Total liabilities	389,451	404,844

**SHAREHOLDERS EQUITY**

Common stock, \$6.25 par value: Authorized 9,000,000 shares; issued 2,980,602 shares	18,629	18,629
Additional paid-in capital	9,994	9,994
Retained earnings	21,391	21,146
Treasury stock at cost: 245,803 shares	(5,015)	(5,015)
Accumulated other comprehensive income	1,172	1,068
Total shareholders equity	46,171	45,822
Total Liabilities and Shareholders Equity	\$ 435,622	\$ 450,666

See notes to unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2009
(dollars in thousands, except per share data)		
<b>Interest income</b>		
Loans, including fees	\$ 4,302	\$ 4,621
Taxable securities	751	888
Nontaxable securities	84	68
Other	19	3
 Total interest income	 5,156	 5,580
 <b>Interest expense</b>		
Deposits	876	1,163
Other	399	523
 Total interest expense	 1,275	 1,686
 <b>Net interest income</b>	 3,881	 3,894
<b>Provision for loan losses</b>	519	241
 <b>Net interest income after provision for loan losses</b>	 3,362	 3,653
 <b>Non-interest income</b>		
Service charges on deposit accounts	269	293
Trust and financial services	142	115
Debit card interchange fees	108	85
Credit card fee income	22	16
Gain on sale of loans	46	68
Security gains		116
Other income	144	103
 Total non-interest income	 731	 796
 <b>Non-interest expenses</b>		
Salaries and employee benefits	1,604	1,708
Occupancy expense	220	243
Equipment expense	126	134
State franchise tax	135	110
Professional and director fees	154	144
Amortization of intangible assets	16	16
Other expenses	786	774

Total non-interest expenses	3,041	3,129
<b>Income before income taxes</b>	1,052	1,320
Federal income tax provision	315	424
<b>Net income</b>	\$ 737	\$ 896
<b>Basic and diluted earnings per share</b>	\$ 0.27	\$ 0.33

See notes to unaudited consolidated financial statements.



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

(dollars in thousands, except per share data)	Three Months Ended	
	March 31,	
	2010	2009
Balance at beginning of period	\$ 45,822	\$ 43,468
Comprehensive income:		
Net income	737	896
Change in net unrealized gain, net of reclassification adjustments and related income taxes of \$54 and \$267, respectively	104	518
Total comprehensive income	841	1,414
Stock-based compensation expense		2
Cash dividends declared (\$0.18 per share in 2010 and 2009)	(492)	(492)
Balance at end of period	\$ 46,171	\$ 44,392

See notes to unaudited consolidated financial statements.

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

(dollars in thousands, except per share data)	Three Months Ended March 31,	
	2010	2009
<b>Net cash from operating activities</b>	\$ (113)	\$ 1,533
<b>Cash flows from investing activities</b>		
Securities available-for-sale:		
Proceeds from maturities, calls and repayments	13,560	11,307
Purchases	(6,551)	(337)
Proceeds from sale of securities		1,292
Proceeds from sale of other real estate	215	25
Loan originations, net of repayments	2,044	(3,379)
Premises and equipment expenditures, net	(7)	(66)
Net cash provided by investing activities	9,261	8,842
<b>Cash flows from financing activities</b>		
Net change in deposits	(3,256)	(791)
Net change in short-term borrowings	857	(2,475)
Repayment of other borrowings	(12,728)	(304)
Net cash used for financing activities	(15,127)	(3,570)
Net change in cash and cash equivalents	(5,979)	6,805
Cash and cash equivalents at beginning of period	42,661	12,746
<b>Cash and cash equivalents at end of period</b>	<b>\$ 36,682</b>	<b>\$ 19,551</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ 1,403	\$ 1,879
Income taxes paid	250	50

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, 2010, 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, 2009, 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, 2010 are not necessarily indicative of the operating results for the full year or any future interim period.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In December 2009, the FASB issued ASU 2009-16, Accounting for Transfer of Financial Assets. ASU 2009-16 provides guidance to improve the relevance, representational faithfulness, and comparability of the information that an entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. ASU 2009-16 is effective for annual periods beginning after November 15, 2009 and for interim periods within those fiscal years. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements.

In September 2009, the FASB issued new guidance impacting Topic 820. This creates a practical expedient to measure the fair value of an alternative investment that does not have a readily determinable fair value. This guidance also requires certain additional disclosures. This guidance is effective for interim and annual periods ending after December 15, 2009. The Company has presented the necessary disclosures in the Note 3 herein.

In January 2010, the FASB issued ASU 2010-04, Accounting for Various Topics - Technical Corrections to SEC Paragraphs. ASU 2010-04 makes technical corrections to existing SEC guidance including the following topics: accounting for subsequent investments, termination of an interest rate swap, issuance of financial statements subsequent events, use of residential method to value acquired assets other than goodwill, adjustments in assets and liabilities for holding gains and losses, and selections of discount rate used for measuring defined benefit obligation. ASU 2010-04 is effective January 15, 2010. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

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In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements.

In April 2010, the FASB issued ASU 2010-13, *Compensation - Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades*. ASU 2010-13 provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. ASU 2010-13 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and is not expected to have a significant impact on the Company's financial statements.

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

**NOTE 2 SECURITIES**

Securities consist of the following at March 31, 2010 and December 31, 2009:

<b>March 31, 2010</b> (dollars in thousands)	<b>Amortized Cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair Value</b>
Available-for-sale:				
U.S. Treasury security	\$ 100	\$	\$	\$ 100
Obligations of U.S. government corporations and agencies	9,148	2	25	9,125
Mortgage-backed securities	47,534	1,848	180	49,202
Obligations of states and political subdivisions	9,638	155	11	9,782
Total debt securities	66,420	2,005	216	68,209
Equity Securities	69	1	15	55
Total available-for-sale	66,489	2,006	231	68,264
Restricted stock	5,463			5,463
<b>Total securities</b>	<b>\$ 71,952</b>	<b>\$ 2,006</b>	<b>\$ 231</b>	<b>\$ 73,727</b>
<b>December 31, 2009</b> (dollars in thousands)	<b>Amortized Cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair Value</b>
Available-for-sale:				
U.S. Treasury security	\$ 100	\$	\$	\$ 100
Obligations of U.S. government corporations and agencies	14,164	11	142	14,033
Mortgage-backed securities	49,706	1,828	176	51,358
Obligations of states and political subdivisions	9,505	131	22	9,614
Total debt securities	73,475	1,970	340	75,105
Equity Securities	65		12	53
Total available-for-sale	73,540	1,970	352	75,158
Restricted stock	5,463			5,463
<b>Total securities</b>	<b>\$ 79,003</b>	<b>\$ 1,970</b>	<b>\$ 352</b>	<b>\$ 80,621</b>

The amortized cost and fair value of securities at March 31, 2010, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<b>Available-for-sale</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$ 2,285	\$ 2,292
Due after one through five years	4,432	4,494
Due after five years through ten years	15,943	16,115
Due after ten years	43,760	45,308
Total debt securities available-for-sale	\$ 66,420	\$ 68,209

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 2 SECURITIES (continued)****Realized Gains and Losses**

The following table shows the proceeds from sales of available-for-sale securities and the gross realized gains and losses on the sales of those securities that have been included in earnings as a result of the sales. Gains or losses on the sales of available-for-sale securities are recognized upon sale and are determined by the specific identification method.

(dollars in thousands)	<b>Three months ended March 31,</b>	
	2010	2009
Proceeds	\$	\$ 1,292
Realized gains	\$	\$ 199
Realized losses		48
Impairment losses		35
Net securities gains	\$	\$ 116

At least quarterly, the Company conducts a comprehensive security-level impairment assessment. The assessments are based on the nature of the securities, the extent and duration of the securities, the extent and duration of the loss and management's intent to sell or if it is more likely than not that management will be required to sell a security before recovery of its amortized cost basis, which may be maturity. Management believes the Company will fully recover the cost of these securities and it does not intend to sell these securities and likely will not be required to sell them before the anticipated recovery of the remaining amortized cost basis, which may be maturity. As a result, management concluded that these securities were not other-than-temporarily impaired at March 31, 2010 and has recognized the total amount of the impairment in other comprehensive income, net of tax.

The following table presents gross unrealized losses and fair value of securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 and December 31, 2009:

(dollars in thousands)	<b>Securities in a Continuous Unrealized Loss Position</b>					
	<b>Less than 12 Months</b>		<b>12 Months or More</b>		<b>Total</b>	
	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>March 31, 2010</b>						
Obligations of U.S. Corporations and Agencies	\$ 25	\$ 3,973	\$	\$	\$ 25	\$ 3,973
Mortgage-backed securities	47	1,916	133	1,636	180	3,552
Obligations of state & political subdivisions	11	1,850			11	1,850
Total debt securities	83	7,739	133	1,636	216	9,375
Equity securities			15	38	15	38

Total temporarily impaired securities	\$ 83	\$ 7,739	\$ 148	\$ 1,674	\$ 231	\$ 9,413
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CSB BANCORP, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 2 SECURITIES** (continued)

(dollars in thousands) <b>December 31, 2009</b>	<b>Securities in a Continuous Unrealized Loss Position</b>				<b>Total</b>	
	<b>Less than 12 Months</b>		<b>12 Months or More</b>		<b>Gross</b>	
	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
Obligations of U.S. Corporations and Agencies	\$ 142	\$ 10,008	\$	\$	\$ 142	\$ 10,008
Mortgage-backed securities	6	49	170	2,107	176	2,156
Obligations of state & political subdivisions	22	3,033			22	3,033
Total debt securities	170	13,090	170	2,107	340	15,197
Equity securities			12	41	12	41
Total temporarily impaired securities	\$ 170	\$ 13,090	\$ 182	\$ 2,148	\$ 352	\$ 15,238

There were fifteen (15) securities in an unrealized loss position at March 31, 2010, five (5) of which were in a continuous loss position for twelve months or more. There were twenty-two (22) securities in an unrealized loss position at December 31, 2009, six (6) of which were in a continuous loss position for twelve months or more.

**NOTE 3 FAIR VALUE MEASUREMENTS**

The Company provides disclosures about assets and liabilities carried at fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The three broad levels of the fair value hierarchy are described below:

**Level I:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

**Level II:** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by corroborated or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.

**Level III:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The following table presents the assets reported on the consolidated statements of financial condition at their fair value as of March 31, 2010 and December 31, 2009, by level within the fair value hierarchy. No liabilities are carried at fair value. As required by the accounting standards, financial assets and liabilities are classified in their entirety based on the lowest level

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**NOTE 3- FAIR VALUE MEASUREMENTS** (continued)

of input that is significant to the fair value measurement. Equity securities and U.S. Treasury Notes are valued at the closing price reported on the active market on which the individual securities are traded. Obligations of U.S. government corporations and agencies, mortgage-backed securities and obligations of states and political subdivisions are valued at observable market data for similar assets.

(dollars in thousands)	Level I	Level II	Level III	Total
	<b>March 31, 2010</b>			
<b>Assets:</b>				
Securities available-for-sale				
U.S. Treasury security	\$ 100	\$	\$	\$ 100
Obligations of U.S. government corporations and agencies		9,125		9,125
Mortgage-backed securities		49,202		49,202
Obligations of states and political subdivisions		9,782		9,782
Total debt securities	100	68,109		68,209
Equity Securities	55			55
<b>Total available-for-sale securities</b>	<b>\$ 155</b>	<b>\$ 68,109</b>	<b>\$</b>	<b>\$ 68,264</b>
		<b>December 31, 2009</b>		
Securities available-for-sale				
U.S. Treasury security	\$ 100	\$	\$	\$ 100
Obligations of U.S. government corporations and agencies		14,033		14,033
Mortgage-backed securities		51,358		51,358
Obligations of states and political subdivisions		9,614		9,614
Total debt securities	100	75,005		75,105
Equity Securities	53			53
<b>Total available-for-sale securities</b>	<b>\$ 153</b>	<b>\$ 75,005</b>	<b>\$</b>	<b>\$ 75,158</b>

The following table presents the assets measured on a nonrecurring basis on the consolidated balance sheets at their fair value as of March 31, 2010, and December 31, 2009, by level within the fair value hierarchy. Impaired loans and other real estate that are collateral dependent are written down to fair value through the establishment of specific reserves. Premises include a building currently used for storage that has been written down to appraised value. The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions based on management's best judgment that are significant inputs to the discounting calculations. As a result, these rights are measured at fair value on a nonrecurring basis and are classified within level III of the fair value hierarchy. 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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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 3- FAIR VALUE MEASUREMENTS (continued)**

(dollars in thousands)	Level I	Level II	Level III	Total
<b>Assets Measured on a Nonrecurring Basis:</b>				
		<b>March 31, 2010</b>		
Impaired loans	\$	\$2,916	\$	\$2,916
Other real estate owned		271		271
Premises		173		173
Mortgage servicing rights			144	144
		<b>December 31, 2009</b>		
Impaired loans	\$	\$1,736	\$	\$1,736
Other real estate owned		162		162
Premises		181		181
Mortgage servicing rights			138	138

**NOTE 4 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The estimated fair values of recognized financial instruments as of March 31, 2010 and December 31, 2009 are as follows:

(Dollars in thousands)	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 36,682	\$ 36,682	\$ 42,661	\$ 42,661
Securities	73,727	73,727	80,621	80,621
Loans, net	306,543	311,577	309,423	313,993
Accrued Interest Receivable	1,340	1,340	1,315	1,315
<b>Financial liabilities:</b>				
Deposits	\$326,204	\$327,568	\$329,486	\$331,511
Short-term borrowings	29,621	29,621	28,764	28,764
Other borrowings	32,210	33,222	45,010	46,535
Accrued Interest Payable	292	292	322	322

For purposes of the above disclosures of estimated fair value, the following assumptions are used:

**Cash and cash equivalents; Accrued interest receivable; Short term borrowings, Accrued interest payable**

The fair value of the above instruments is considered to be carrying value.

**Securities**

The fair value of securities available-for-sale which are measured on a recurring basis are determined primarily by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other similar securities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 4 FAIR VALUES OF FINANCIAL INSTRUMENTS** -(continued)

**Loans, net**

The fair value for loans is estimated by discounting future cash flows using current market inputs at which loans with similar terms and qualities would be made to borrowers of similar credit quality. Where quoted market prices were available, primarily for certain residential mortgage loans, such market rates were utilized as estimates for fair value. Fair value of non-accrual loans is based on carrying value.

**Deposits and Other Borrowed Funds**

The fair values of certificates of deposit and other borrowed funds are based on the discounted value of contractual cash flows. The discount rates are estimated using rates currently offered for similar instruments with similar remaining maturities. Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of year-end.

The Company also has unrecognized financial instruments at March 31, 2010 and December 31, 2009. These financial instruments relate to commitments to extend credit and letters of credit. The aggregated contract amount of such financial instruments was approximately \$65,012 at March 31, 2010 and \$63,824 at December 31, 2009. Such amounts are also considered to be the estimated fair values.

The fair value estimates of financial instruments are made at a specific point in time based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument over the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Since no ready market exists for a significant portion of the financial instruments, fair value estimates are largely based on judgments after considering such factors as future expected credit losses, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

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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, 2010 as compared to December 31, 2009, and the consolidated results of operations for the quarter ended March 31, 2010 compared to the same period in 2009. 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 \$435.6 million at March 31, 2010, compared to \$450.7 million at December 31, 2009, representing a decrease of \$15.0 million or 3.3%. Cash and cash equivalents decreased \$6.0 million, or 14.0%, during the three-month period ending March 31, 2010, due to an \$4.7 million decrease in deposits held at the Federal Reserve Bank and a \$1.3 million decrease in cash and due from banks. Securities decreased \$6.9 million or 9.2% during the first three months of 2010 primarily due to calls within the US Agency portfolio and principal repayments within the mortgage-backed securities portfolio. Net loans decreased \$2.9 million, or 0.9%, while deposits decreased \$3.3 million, or 1.0%, during the three-month period. Short-term borrowings of securities sold under repurchase agreement increased \$857 thousand and Federal Home Loan Bank advances decreased \$12.8 million, during the period as advances matured and required amortized payments were made on outstanding advances at the Federal Home Loan Bank.

Net loans decreased \$2.9 million, or 0.9%, during the three-month period ended March 31, 2010. Commercial loans increased \$821 thousand or 0.4% and home equity lines increased \$1.0 million or 3.1% over December 31, 2009. Decreases were recognized in real estate mortgage loans of \$3.2 million or 3.8% and consumer installment loans of \$558 thousand or 7.3%. Consumers increased their refinancing of mortgage loans for lower rates offered in the secondary market. The allowance for loan losses amounted to \$4.4 million or 1.40% of total loans at March 31, 2010 compared to \$4.1 million or 1.29% of total loans at December 31, 2009.

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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The allowance for loan losses as a percentage of total loans increased at March 31, 2010 as compared to December 31, 2009 as the additional provision of \$519 exceeded net charge-offs of \$223 for the three months ended March 31, 2010 and outstanding loan balances decreased 1% to \$310,899 at March 31, 2010. Non-performing loans have increased \$2.1 million or 50% from December 31, 2009, primarily the result of the bank's internal analysis of cash flows of one \$2.5 million commercial real estate loan and related line being moved to nonaccrual status.

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009	March 31, 2009
Non-performing loans	\$ 6,221	\$ 4,141	\$ 4,123
Other real estate	251	162	59
Allowance for loan losses	4,356	4,059	3,402
Total loans	310,899	313,482	319,425
Allowance: loans	1.40%	1.29%	1.07%
Allowance: non-performing loans	0.7x	1.0x	0.8x

The ratio of gross loans to deposits was 95.3% at March 31, 2010, compared to 95.1% at December 31, 2009. The increase in this ratio is primarily the result of the decrease in deposits exceeding the decrease in loans during the three months ended March 31, 2009.

The Company recognized no gains or losses from the sales of securities for the first three months of 2010 as compared to recognizing gross gains on sales of available for sale securities of \$151 (tax provision of \$51) which was partially offset by the recognition of a \$35 (tax benefit of \$12) from other than temporary impairment of an equity investment during the quarter ended March 31, 2009. The Company had net unrealized gains of \$1,775 within its securities portfolio at March 31, 2010, compared to net unrealized gains of \$1,618 at December 31, 2009. Management has considered industry analyst reports, sector credit reports and the volatility within the bond market in concluding that the gross unrealized losses of \$231 within the portfolio as of March 31, 2010, were primarily the result of customary and expected fluctuations in the bond market. As a result, all security impairments as of March 31, 2010, are considered temporary.

The Company has no exposure to government-sponsored enterprise preferred stocks, collateralized debt obligations or trust preferred securities and only an immaterial amount of nonagency collateralized mortgage obligations. Total gross unrealized security losses within the portfolio were an immaterial 0.3% of total available-for-sale securities at March 31, 2010, reflecting interest rate fluctuations, not credit downgrades.

Short-term borrowings increased \$857 thousand from December 31, 2009 and other borrowings decreased \$12.8 million as the Company used cash flows from investments to repay required maturities and monthly payments on advances from the Federal Home Loan Bank ( FHLB ).

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Deposits decreased \$3.3 million, or 1% from December 31, 2009 with non-interest bearing deposits declining \$1.4 million and interest-bearing deposit accounts decreasing \$1.9 million. By deposit type, increases were recognized in interest-bearing checking accounts and money market savings accounts for the three-month period ended March 31, 2010.

Total shareholders' equity amounted to \$46.2 million, or 10.6%, of total assets, at March 31, 2010, compared to \$45.8 million, or 10.2% of total assets, at December 31, 2009. The increase in shareholders' equity during the three months ended March 31, 2010 was due to net income of \$737 and changes in accumulated other comprehensive income of \$104. The increase was partially offset by dividends declared of \$492. The Company and its subsidiary bank met all regulatory capital requirements at March 31, 2010.

**RESULTS OF OPERATIONS**

**Three months ended March 31, 2010 and 2009**

For the quarter ended March 31, 2010, the Company recorded net income of \$737 or \$0.27 per share, as compared to net income of \$896, or \$0.33 per share for the quarter ended March 31, 2009. The \$159 decrease in net income for the quarter was principally due to the increase in the provision for loan losses of \$278 for the quarter ended March 31, 2010. On a core basis, net interest income decreased \$13, other income increased \$51 (exclusive of the \$116 gain on sale of securities in 2009) and other expenses decreased \$88.

Interest income for the quarter ended March 31, 2010, was \$5,156 representing a \$424 decrease, or 7.6% decline, compared to the same period in 2009. This decrease was primarily due to a decline in the average loan yield of 0.29% to 5.61% for the quarter ended March 31, 2010 as compared to 5.90% for the first quarter ended March 31, 2009. Additionally, average loan volume declined by \$6.5 million to \$311,789 for the quarter ended March 31, 2010 as compared the first quarter 2009. Investment interest income decreased \$121 as both investment volume and yield decreased in 2010 over the first quarter in 2009. Interest expense for the quarter ended March 31, 2010 was \$1,275 a decrease of \$411 or 24.4%, from the same period in 2009. The decrease in interest expense occurred due to decreases in interest rates across the board for the quarter ended March 31, 2010. During first quarter 2010, maturing time deposits continued to renew at interest rates that were lower.

The provision for loan losses for the quarter ended March 31, 2010, was \$519, compared to a \$241 provision for the same quarter in 2009. 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, 2010, was \$731, a decrease of \$65, or 8.2%, compared to the same quarter in 2009. During the quarter ended 2009, the Company recognized a gross gain of \$151 on the sale of investments that was partially offset by the recording of an other than temporary impairment of \$35 on equity securities. Trust and brokerage fees increased \$27 on a year over year quarter as increases were recognized on the market value of assets under management.



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CSB BANCORP, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
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Non-interest expenses for the quarter ended March 31, 2010, decreased \$88, or 2.8%, compared to the first quarter of 2009. Salaries and employee benefits decreased \$104, or 6.1%, primarily due to the decrease in incentive and profit sharing accruals in the quarter ended March 31, 2010. Occupancy and equipment expenses decreased \$31 and other operating expenses increased \$12. State franchise tax increased \$25 due to the increased capital of the franchise. Federal income tax expense decreased \$109, or 25.7% for the quarter ended March 31, 2010 as compared to the first quarter of 2009. The provision for income taxes was \$315 (effective rate of 29.9%) for the quarter ended March 31, 2010, compared to \$424 (effective rate of 32.1%) for the quarter ended March 31, 2009. 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, 2009, and as of March 31, 2010 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 \$36.7 million at March 31, 2010, a decrease of \$6.0 million from \$42.7 million at December 31, 2009. 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 12.3% of total assets as of March 31, 2010 compared to 15.0% of total assets at year-end 2009. 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, 2010, from that presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. 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, 2010 and December 31, 2009:

**March 31, 2010**

Changes in Interest Rates (basis points)	Net Interest Income	Dollar Change	Percentage Change
	(Dollars in Thousands)		
+200	16,347	\$ 468	2.9%
+100	15,941	62	0.4
0	15,879	0	0.0
-100	N/A	N/A	N/A
-200	N/A	N/A	N/A

**December 31, 2009**

Changes in Interest Rates (basis points)	Net Interest Income	Dollar Change	Percentage Change
	(Dollars in Thousands)		
+200	\$17,287	\$ 849	5.2%
+100	16,739	301	1.8
0	16,438	0	0.0
-100	N/A	N/A	N/A
-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  
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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, 2009.

**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, 2010 to January 31, 2010				41,471
February 1, 2010 to February 28, 2010				41,471
March 1, 2010 to March 31, 2010				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 Reserved:****Item 5 Other Information:**

There are no matters required to be reported under this item

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CSB BANCORP, INC  
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PART II OTHER INFORMATION

**Item 6 Exhibits:**

<b>Exhibit 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).
3.2.1	Amended Article VIII Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form DEF 14a for the Fiscal Year ended December 31, 2008).
4.0	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, 2010

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

Date: May 14, 2010

/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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