CSB BANCORP INC /OH
Form 10-Q
May 13, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2014

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 x 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 x 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 x

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

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 1, 2014: 2,737,085 common shares

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CSB BANCORP, INC.

FORM 10-Q

QUARTER ENDED March 31, 2014

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Part I Financial Information

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CSB BANCORP, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS	**March 31, 2014**	**December 31, 2013**
(Dollars in thousands)		
Cash and cash equivalents		
Cash and due from banks	$ 18,640	$ 15,777
Interest-earning deposits in other banks	652	26,822
Total cash and cash equivalents	19,292	42,599
Securities		
Available-for-sale securities	102,934	101,722
Held-to-maturity securities (fair value of $42,988 in 2014, $42,643 in 2013)	43,688	44,350
Restricted stock, at cost	4,613	5,463
Total securities	151,235	151,535
Loans	407,770	379,125
Less allowance for loan losses	5,065	5,085
Net loans	402,705	374,040
Premises and equipment, net	8,641	8,690
Core deposit intangible	727	759
Goodwill	4,728	4,728
Bank-owned life insurance	9,614	9,551
Accrued interest receivable and other assets	5,036	4,563
TOTAL ASSETS	$ 601,978	$ 596,465
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	$ 114,844	$ 120,325

Interest-bearing	351,729	360,608
Total deposits	466,573	480,933
Short-term borrowings	61,792	48,671
Other borrowings	17,406	12,459
Accrued interest payable and other liabilities	2,328	1,991
Total liabilities	548,099	544,054
SHAREHOLDERS EQUITY		
Common stock, $6.25 par value. Authorized 9,000,000 shares; issued 2,980,602 shares; shares outstanding 2,736,634 in 2014 and 2013	18,629	18,629
Additional paid-in capital	9,964	9,964
Retained earnings	31,155	30,232
Treasury stock, at cost 243,968 shares	(4,958)	(4,958)
Accumulated other comprehensive loss	(911)	(1,456)
Total shareholders equity	53,879	52,411
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 601,978	$ 596,465

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)	**Three Months Ended March 31, 2014**	**2013**
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$ 4,429	$ 4,567
Taxable securities	786	582
Nontaxable securities	115	127
Other	6	24
Total interest and dividend income	5,336	5,300
INTEREST EXPENSE		
Deposits	304	475
Short-term borrowings	19	16
Other borrowings	115	117
Total interest expense	438	608
NET INTEREST INCOME	4,898	4,692
PROVISION FOR LOAN LOSSES	185	210
Net interest income, after provision for loan losses	4,713	4,482
NONINTEREST INCOME		
Service charges on deposit accounts	297	315
Trust services	216	214
Debit card interchange fees	198	178
Gain on sale of loans, net	24	114
Other	218	217
Total noninterest income	953	1,038
NONINTEREST EXPENSES		
Salaries and employee benefits	2,019	2,050
Occupancy expense	266	258
Equipment expense	181	165
Professional and director fees	182	117
Franchise tax expense	107	147

FDIC insurance expense	86	88
Software expense	162	114
Marketing and public relations	108	79
Debit card expense	81	62
Amortization of intangible assets	32	34
Net cost of operation of other real estate		9
Other	453	436
Total noninterest expenses	3,677	3,559
Income before income taxes	1,989	1,961
FEDERAL INCOME TAX PROVISION	573	599
NET INCOME	$ 1,416	$ 1,362
Basic and diluted net earnings per share	$ 0.52	$ 0.50

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)	**Three Months Ended March 31, 2014**	**2013**
Net income	$ 1,416	$ 1,362
Other comprehensive income (loss)		
Unrealized gains (losses) arising during the period	774	(745)
Income tax effect	(263)	253
Amount reclassified from accumulated other comprehensive income, held-to-maturity	52	
Income tax effect	(18)	
Other comprehensive income (loss)	545	(492)
Total comprehensive income	$ 1,961	$ 870

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

	Three Months Ended March 31,	
(Dollars in thousands, except per share data)	**2014**	**2013**
Balance at beginning of period	$ 52,411	$ 52,453
Net income	1,416	1,362
Other comprehensive income (loss)	545	(492)
Cash dividends declared	(493)	(493)
Balance at end of period	$ 53,879	$ 52,830
Cash dividends declared per share	$ 0.18	$ 0.18

See notes to unaudited consolidated financial statements

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CSB BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)	**Three Months Ended March 31, 2014**	**2013**
NET CASH FROM OPERATING ACTIVITIES	$ 997	$ 1,182
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities:		
Proceeds from repayments held-to-maturity	700	
Proceeds from maturities and repayments available-for-sale	2,026	8,128
Purchases available-for-sale	(2,535)	(11,630)
Proceeds from redemption of restricted stock	850	
Loan originations, net of repayments	(28,821)	(8,745)
Proceeds from sale of other real estate		18
Property, equipment, and software acquisitions	(236)	(262)
Net cash used in investing activities	(28,016)	(12,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(14,356)	(17,891)
Net change in short-term borrowings	13,121	(441)
Net change in other borrowings	4,947	(61)
Net cash (used in) provided by financing activities	3,712	(18,393)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,307)	(29,702)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	42,599	66,878
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 19,292	$ 37,176
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	$ 446	$ 635
Income taxes	300	230
Noncash financing activities:		
Dividends declared	493	493

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 (the 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, 2014, 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 (U.S. GAAP) have been omitted. The Annual Report for CSB for the year ended December 31, 2013, 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, 2014 are not necessarily indicative of the operating results for the full year or any future interim period.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This ASU did not have a significant impact on the Company s financial statements.

In January 2014, the FASB issued ASU 2014-04, *Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or

(2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this Update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. This ASU 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, 2014 and December 31, 2013:

(Dollars in thousands)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
March 31, 2014				
Available-for-sale securities				
U.S. Treasury security	$ 1,005	$	$ 9	$ 996
U.S. government agencies	25,534	9	494	25,049
Mortgage-backed securities of government agencies	52,429	638	291	52,776
Other mortgage-backed securities	216	4		220
Asset-backed securities of government agencies	2,708	13	7	2,714
State and political subdivisions	16,193	424	104	16,513
Corporate bonds	4,501	41	2	4,540
Equity securities	106	20		126
Total available-for-sale securities	102,692	1,149	907	102,934
Held-to-maturity securities				
U.S. government agencies	19,204	2	311	18,895
Mortgage-backed securities of government agencies	24,484	83	474	24,093
Total held-to-maturity securities	43,688	85	785	42,988
Restricted stock	4,613			4,613
Total securities	$ 150,993	$ 1,234	$ 1,692	$ 150,535
December 31, 2013				
Available-for-sale securities				
U.S. Treasury security	$ 1,005	$	$ 8	$ 997
U.S. government agencies	22,999	8	706	22,301
	54,455	536	691	54,300

Mortgage-backed securities of government agencies				
Other mortgage-backed securities	230	5		235
Asset-backed securities of government agencies	2,739	36		2,775
State and political subdivisions	16,219	371	143	16,447
Corporate bonds	4,500	44	5	4,539
Equity securities	106	23	1	128
Total available-for-sale securities	102,253	1,023	1,554	101,722
Held-to-maturity securities				
U.S. government agencies	19,186		828	18,358
Mortgage-backed securities of government agencies	25,164		879	24,285
Total held-to-maturity securities	44,350		1,707	42,643
Restricted stock	5,463			5,463
Total securities	$ 152,066	$ 1,023	$ 3,261	$ 149,828

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 SECURITIES (CONTINUED)

The amortized cost and fair value of debt securities at March 31, 2014, 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.

(Dollars in thousands)	**Amortized cost**	**Fair value**
Available-for-sale:		
Due in one year or less	$ 840	$ 856
Due after one through five years	17,303	17,458
Due after five through ten years	24,907	24,695
Due after ten years	59,536	59,799
Total debt securities available-for-sale	$ 102,586	$ 102,808
Held-to-maturity:		
Due in one year or less	$	$
Due after one through five years		
Due after five through ten years	7,725	7,707
Due after ten years	35,963	35,281
Total debt securities held-to-maturity	$ 43,688	$ 42,988

Securities with a carrying value of approximately $83.3 million and $87.9 million were pledged at March 31, 2014 and December 31, 2013, respectively, to secure public deposits, as well as other deposits and borrowings as required or permitted by law.

Restricted stock primarily consists of investments in Federal Home Loan Bank (FHLB) and Federal Reserve Bank stock. The Bank s investment in FHLB stock amounted to approximately $4.1 million at March 31, 2014 and $5.0 million at December 31, 2013. The FHLB of Cincinnati mandatorily redeemed members stock during the first quarter of 2014. Federal Reserve Bank stock was $471 thousand at March 31, 2014 and December 31, 2013.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 SECURITIES (CONTINUED)

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, 2014 and December 31, 2013:

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
(Dollars in thousands)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
March 31, 2014						
Available-for-sale						
U.S. Treasury securities	$ 9	$ 996	$	$	$ 9	$ 996
U.S. Government agencies	306	16,693	188	3,812	494	20,505
Mortgage-backed securities of government agencies	291	21,627			291	21,627
Asset-backed securities of government agencies	7	1,706			7	1,706
State and political subdivisions	62	2,197	42	787	104	2,984
Corporate bonds	2	573			2	573
Held-to-maturity						
U.S. Government agencies	301	13,179	10	2,792	311	15,971
Mortgage-backed securities of government agencies	474	19,775			474	19,775
Total temporarily impaired securities	$ 1,452	$ 76,746	$ 240	$ 7,391	$ 1,692	$ 84,137
December 31, 2013						
Available-for-sale						
U.S. Treasury securities	$ 8	$ 997	$	$	$ 8	$ 997
U.S. Government agencies	590	15,409	116	1,884	706	17,293
Mortgage-backed securities of government agencies	691	29,938			691	29,938
State and political subdivisions	122	3,522	21	233	143	3,755

Corporate bonds	4	1,163	1	499	5	1,662
Equity securities			1	1	1	1
Held-to-maturity						
U.S. Government agencies	771	14,559	57	1,799	828	16,358
Mortgage-backed securities of government agencies	879	20,149			879	20,149
Total temporarily impaired securities	$ 3,065	$ 85,737	$ 196	$ 4,416	$ 3,261	$ 90,153

There were sixty-three (63) securities in an unrealized loss position at March 31, 2014, eleven (11) of which were in a continuous loss position for twelve months or more. 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 in an unrealized loss position, 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. 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, 2014.

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS

Loans consist of the following:

(Dollars in thousands)	**March 31, 2014**	**December 31, 2013**
Commercial	$ 132,140	$ 117,478
Commercial real estate	142,229	129,828
Residential real estate	114,916	111,445
Construction & land development	11,365	13,444
Consumer	6,841	6,687
Total loans before deferred costs	407,491	378,882
Deferred loan costs	279	243
Total Loans	$ 407,770	$ 379,125

Loan Origination/Risk Management

The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Commercial loans are underwritten after evaluating and understanding the borrower s ability to operate profitably and prudently expand its business. Underwriting standards are designed to promote relationship banking rather than transactional banking. The Company s management examines current and occasionally projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company s commercial real estate portfolio are diverse in terms of type. This diversity helps reduce the Company s exposure to adverse economic events that affect any single industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans. At March 31, 2014 and December 31, 2013, approximately 75% and 77%, respectively of the outstanding principal balance of the Company s commercial real estate loans were secured by owner-occupied properties.

With respect to loans to developers and builders that are secured by non-owner occupied properties, the Company generally requires the borrower to have had an existing relationship with the Company and have a proven record of success. Construction and land development loans are underwritten utilizing independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction and land development loans are generally based upon estimates of costs and value associated with the completed project. These estimates may be inaccurate.

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

Construction and land development loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

The Company originates consumer loans utilizing a judgmental underwriting process. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, jointly by line and staff personnel. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk.

The Company maintains an independent loan review department that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company s policies and procedures.

Loans serviced for others approximated $69.4 million and $70.2 million at March 31, 2014 and December 31, 2013, respectively.

Concentrations of Credit

Nearly all of the Company s lending activity occurs within the state of Ohio, including the four (4) counties of Holmes, Stark, Tuscarawas and Wayne, as well as other markets. The majority of the Company s loan portfolio consists of commercial and industrial and commercial real estate loans. As of March 31, 2014 and December 31, 2013, there were no concentrations of loans related to any single industry.

Allowance for Loan Losses

The following table details activity in the allowance for loan losses by portfolio segment for the three month periods ended March 31, 2014 and 2013. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories. The increase in the provision for possible loan losses related to commercial real estate loans was affected by an increase in the historical loss rate of this loan type as well as a charge-off that occurred during the first quarter of 2014. The provision for possible loan losses related to residential real estate decreased during the first quarter of 2014 as a result of a decrease in the historical loss rate within this category.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

(Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Residential Real Estate**	**Construction & Land Development**	**Consumer**	**Unallocated**	**Total**
Three months ended March 31, 2014							
Beginning balance	$ 1,219	$ 1,872	$ 1,205	$ 178	$ 91	$ 520	$ 5,085
Provision for possible loan losses	(72)	517	(151)	(33)	(12)	(64)	185
Charge-offs	(8)	(197)	(4)		(8)		(217)
Recoveries	2		4		6		12
Net charge-offs	(6)	(197)			(2)		(205)
Ending balance	$ 1,141	$ 2,192	$ 1,054	$ 145	$ 77	$ 456	$ 5,065
Three months ended March 31, 2013							
Beginning balance	$ 933	$ 1,902	$ 1,096	$ 253	$ 76	$ 320	$ 4,580
Provision for possible loan losses	242	(78)	177	(119)	(12)		210
Charge-offs	(6)				(10)		(16)
Recoveries	7		9		14		30
Net charge-offs	1		9		4		14
Ending balance	$ 1,176	$ 1,824	$ 1,282	$ 134	$ 68	$ 320	$ 4,804

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

The following table presents the balance in the allowance for loan losses and the ending loan balances by portfolio segment and based on the impairment method as of March 31, 2014 and December 31, 2013:

(Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Residential Real Estate**	**Construction & Land Development**	**Consumer**	**Unallocated**	**Total**
March 31, 2014							
Allowance for loan losses:							
Ending allowance balances attributable to loans:							
Individually evaluated for impairment	$ 225	$ 443	$ 209	$	$	$	$ 877
Collectively evaluated for impairment	916	1,749	845	145	77	456	4,188
Total ending allowance balance	$ 1,141	$ 2,192	$ 1,054	$ 145	$ 77	$ 456	$ 5,065
Loans:							
Loans individually evaluated for impairment	$ 6,543	$ 3,731	$ 1,900	$	$		$ 12,174
Loans collectively evaluated for impairment	125,597	138,498	113,016	11,365	6,841		395,317
Total ending loans balance	$ 132,140	$ 142,229	$ 114,916	$ 11,365	$ 6,841		$ 407,491
December 31, 2013							
Allowance for loan losses:							
Ending allowance balances attributable to loans:							
Individually evaluated for impairment	$ 241	$ 331	$ 212	$	$	$	$ 784
Collectively evaluated for impairment	978	1,541	993	178	91	520	4,301

Total ending allowance balance	$ 1,219	$ 1,872	$ 1,205	$ 178	$ 91	$ 520	$ 5,085
Loans:							
Loans individually evaluated for impairment	$ 5,576	$ 3,220	$ 1,844	$	$		$ 10,640
Loans collectively evaluated for impairment	111,902	126,608	109,601	13,444	6,687		368,242
Total ending loans balance	$ 117,478	$ 129,828	$ 111,445	$ 13,444	$ 6,687		$ 378,882

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

The following table presents loans individually evaluated for impairment by class of loans as of March 31, 2014 and December 31, 2013:

(Dollars in thousands)	Unpaid Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
March 31, 2014							
Commercial	$ 6,584	$ 65	$ 6,493	$ 6,558	$ 225	$ 6,156	$ 246
Commercial real estate	4,258	367	3,364	3,731	443	3,697	142
Residential real estate	2,067	713	1,175	1,888	209	1,477	47
Construction & land development							
Total impaired loans	$ 12,909	$ 1,145	$ 11,032	$ 12,177	$ 877	$ 11,330	$ 435
December 31, 2013							
Commercial	$ 5,595	$ 7	$ 5,580	$ 5,587	$ 241	$ 4,185	$ 182
Commercial real estate	3,540	563	2,658	3,221	331	3,650	163
Residential real estate	2,001	337	1,510	1,847	212	1,315	41
Construction & land development						21	2
Total impaired loans	$ 11,136	$ 907	$ 9,748	$ 10,655	$ 784	$ 9,171	$ 388

The following table presents the aging of past due loans and nonaccrual loans as of March 31, 2014 and December 31, 2013 by class of loans:

(Dollars in thousands)	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days + Past Due	Non-Accrual	Total Past Due and Non-Accrual	Total Loans

March 31, 2014							
Commercial	$ 129,874	$ 35	$ 4	$ 1	$ 2,226	$ 2,266	$ 132,140
Commercial real estate	140,123	470			1,636	2,106	142,229
Residential real estate	113,351	426	63	36	1,040	1,565	114,916
Construction & land development	11,015			350		350	11,365
Consumer	6,720	67	52	2		121	6,841
Total Loans	$ 401,083	$ 998	$ 119	$ 389	$ 4,902	$ 6,408	$ 407,491
December 31, 2013							
Commercial	$ 117,342	$ 15	$ 37	$	$ 84	$ 136	$ 117,478
Commercial real estate	128,462	111	107	40	1,108	1,366	129,828
Residential real estate	109,274	616	467	46	1,042	2,171	111,445
Construction & land development	12,494			950		950	13,444
Consumer	6,524	123	40			163	6,687
Total Loans	$ 374,096	$ 865	$ 651	$ 1,036	$ 2,234	$ 4,786	$ 378,882

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

Troubled Debt Restructurings

All troubled debt restructurings (TDR s) are individually evaluated for impairment and a related allowance is recorded, as needed. Loans whose terms have been modified as TDR s totaled $8.7 million as of March 31, 2014, and $8.6 million as of December 31, 2013, with $525 thousand and $583 thousand of specific reserves allocated to those loans, respectively. At March 31, 2014, $8 million of the loans classified as TDR s were performing in accordance with their modified terms. Of the remaining $711 thousand, all were in nonaccrual of interest status.

None of the loans that were restructured in 2012 or 2013 have subsequently defaulted in the three month periods ended March 31, 2014 and 2013. There were no loan modifications of loans that were considered troubled debt restructurings completed during the three month period ending March 31, 2013. Loan modifications that are considered TDR s completed during the three month period ended March 31, 2014 were as follows:

(Dollars in thousands)	**Number of loans restructured**	**Pre-Modification Recorded Investment**	**Post-Modification Recorded Investment**
For the Three Months Ended March 31, 2014			
Residential Real Estate	1	$ 84	$ 84
Total Restructured Loans	1	$ 84	$ 84

The loan restructured during the three months ended March 31, 2014 was modified by changing the monthly payment to interest only. No principal reduction was made.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes commercial loans individually by classifying the loans as to credit risk. This analysis includes commercial loans with an outstanding balance greater than $275 thousand. This analysis is performed on an annual basis. The Company uses the following definitions for risk ratings:

Pass. Loans classified as pass (Acceptable, Low Acceptable or Pass Watch) may exhibit a wide array of characteristics but at minimum represent an acceptable risk to the Bank. Borrowers in this rating may have leveraged but acceptable balance sheet positions, satisfactory asset quality, and stable to favorable sales and earnings trends, acceptable liquidity and adequate cash flow. Loans are considered fully collectible and require an average amount of administration. While generally adhering to credit policy, these loans may exhibit occasional exceptions that do not result in undue risk to the Bank. Borrowers are generally capable of absorbing setbacks, financial and otherwise, without the threat of failure.

Special Mention. Loans classified as special mention have material weaknesses that deserve management s close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the loan at some future date.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are either less than $275 thousand or are included in groups of homogeneous loans. Based on the most recent analysis performed, the risk category of loans by class is as follows as of March 31, 2014 and December 31, 2013:

(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
March 31, 2014						
Commercial	$ 111,528	$ 14,422	$ 5,250	$	$ 940	$ 132,140
Commercial real estate	127,895	9,186	3,785		1,363	142,229
Residential real estate	233		45		114,638	114,916
Construction & land development	7,566	1,072	1,884		843	11,365
Consumer					6,841	6,841
Total	$ 247,222	$ 24,680	$ 10,964	$	$ 124,625	$ 407,491
December 31, 2013						
Commercial	$ 101,195	$ 10,352	$ 5,066	$	$ 865	$ 117,478
Commercial real estate	115,265	9,076	4,041		1,446	129,828
Residential real estate	237		47		111,161	111,445
Construction & land development	9,470	587	1,884		1,503	13,444
Consumer					6,687	6,687
Total	$ 226,167	$ 20,015	$ 11,038	$	$ 121,662	$ 378,882

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

Nonperforming loans include loans past due 90 days and greater and loans on nonaccrual of interest status. The following table presents loans that are not rated by class of loans as of March 31, 2014 and December 31, 2013.

(Dollars in thousands)	**Performing**	**Non-Performing**	**Total**
March 31, 2014			
Commercial	$ 939	$ 1	$ 940
Commercial real estate	1,363		1,363
Residential real estate	113,607	1,031	114,638
Construction & land development	843		843
Consumer	6,839	2	6,841
Total	$ 123,591	$ 1,034	$ 124,625
December 31, 2013			
Commercial	$ 865	$	$ 865
Commercial real estate	1,446		1,446
Residential real estate	110,119	1,042	111,161
Construction & land development	1,503		1,503
Consumer	6,687		6,687
Total	$ 120,620	$ 1,042	$ 121,662

NOTE 4 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; and 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.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the assets reported on the consolidated statements of financial condition at their fair value as of March 31, 2014 and December 31, 2013, by level within the fair value hierarchy. No liabilities are carried at fair value. Financial assets and liabilities are classified in their entirety based on the lowest level 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 agencies, mortgage-backed securities, asset-backed securities, obligations of states and political subdivisions and corporate bonds are valued at observable market data for similar assets.

(Dollars in thousands)	**Level I**	**Level II**	**Level III**	**Total**
March 31, 2014				
ASSETS:				
Securities available-for-sale:				
U.S. Treasury securities	$ 996	$	$	$ 996
U.S. Government agencies		25,049		25,049
Mortgage-backed securities of government agencies		52,996		52,996
Asset-backed securities of government agencies		2,714		2,714
States and political subdivisions		16,513		16,513
Corporate bonds		4,540		4,540
Total debt securities	996	101,812		102,808
Equity securities	126			126
Total securities available-for-sale	$ 2,118	$ 101,812	$	$ 102,934
December 31, 2013				
ASSETS:				
Securities available-for-sale:				
U.S. Treasury securities	$ 997	$	$	$ 997
U.S. Government agencies		22,301		22,301
Mortgage-backed securities of government agencies		54,535		54,535
Asset-backed securities of government agencies		2,775		2,775
States and political subdivisions		16,447		16,447
Corporate bonds		4,539		4,539

Total debt securities	997	100,597		101,594
Equity securities	128			128
Total securities available-for-sale	$ 1,125	$ 100,597	$	$ 101,722

The following table presents the assets measured on a nonrecurring basis on the Consolidated Balance Sheets at their fair value as of March 31, 2014 and December 31, 2013, by level within the fair value hierarchy. Impaired loans and other real estate are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loans include: quoted market prices for identical assets classified as Level I inputs; and 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.

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 discounted cash flow and repayment assumptions based on management s best judgment. 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.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

(Dollars in thousands)	Level I	Level II	Level III	Total
March 31, 2014				
Assets measured on a nonrecurring basis:				
Impaired loans	$	$	$ 11,297	$ 11,297
Mortgage servicing rights			228	228
December 31, 2013				
Impaired loans	$	$	$ 9,856	$ 9,856
Mortgage servicing rights			225	225

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level III inputs to determine fair value:

Quantitative Information about Level III Fair Value Measurements

(Dollars in thousands)	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
March 31, 2014				
Impaired loans			Remaining term	2 mos to 28 yrs/(71 months)
	$ 10,306	Discounted cash flow	Discount rate	4.3% to 12% / (6.8%)
			Appraisal adjustments (2)	-20% to -25%
	991	Appraisal of collateral (1),(3)	Liquidation expense (2)	-10%
Mortgage servicing rights			Remaining term	9 mos to 30 yrs
	228	Discounted cash flow	Discount rate	1.5%
December 31, 2013				
Impaired loans			Remaining term	3 mos to 29 yrs/(62 mos)
	$ 8,663	Discounted cash flow	Discount rate	7.1% to 12% / (7.5%)
	1,193	Appraisal of	Appraisal adjustments (2)	-20% to -25%

		collateral [1],[3]	Liquidation expense [2]	-10%
Mortgage servicing rights	225	Discounted cash flow	Remaining term	12 mos to 30 yrs/(244 mos)
			Discount rate	1.5% / (1.5%)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various inputs which are not identifiable.
(2) Appraisals may be adjusted by management for qualitative factors such as estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.
(3) Includes qualitative adjustments by management and estimated liquidation expenses.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5 FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of recognized financial instruments as of March 31, 2014 and December 31, 2013 are as follows:

(Dollars in thousands)	Carrying Value	Level 1	Level II	Level III	Total Fair Value
March 31, 2014					
Financial assets:					
Cash and cash equivalents	$ 19,292	$ 19,292	$	$	$ 19,292
Securities available for sale	102,934	1,122	101,812		102,934
Securities held-to-maturity	43,688		42,988		42,988
Restricted stock	4,613		4,613		4,613
Net loans	402,705			406,391	406,391
Bank-owned life insurance	9,614	9,614			9,614
Accrued interest receivable	1,630	1,630			1,630
Financial liabilities:					
Deposits	$ 466,573	$ 337,346	$	$ 129,922	$ 467,268
Short-term borrowings	61,792	61,792			61,792
Other borrowings	17,406			17,844	17,844
Accrued interest payable	93	93			93
December 31, 2013					
Financial assets:					
Cash and cash equivalents	$ 42,599	$ 42,599	$	$	$ 42,599
Securities available for sale	101,722	1,125	100,597		101,722
Securities held-to-maturity	44,350		42,643		42,643
Restricted stock	5,463		5,463		5,463
Net loans	374,040			375,055	375,055
Bank-owned life insurance	9,551	9,551			9,551
Accrued interest receivable	1,374	1,374			1,374
Financial liabilities:					
Deposits	$ 480,933	$ 346,589	$	$ 135,106	$ 481,695
Short-term borrowings	48,671	48,671			48,671
Other borrowings	12,459			12,559	12,559
Accrued interest payable	96	96			96

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, and Accrued interest payable

The fair value of the above instruments is considered to be carrying value. Classified as Level I in the fair value hierarchy.

Securities

The fair value of securities available-for-sale and securities held-to-maturity 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. Classified as Level I or Level II in the fair value hierarchy.

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Net loans

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, classified as Level III.

Bank-owned life insurance

The carrying amount of bank-owned life insurance is based on the cash surrender value of the policies and is a reasonable estimate of fair value, classified as Level I.

Restricted stock

Restricted stock includes Federal Home Loan Bank Stock and Federal Reserve Bank Stock. It is not practicable to determine the fair value of regulatory equity securities due to restrictions placed on their transferability. Fair value is based on carrying value, classified as Level II.

Deposits

The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rates are estimated using market rates currently offered for similar instruments with similar remaining maturities, resulting in a Level III classification. Demand, savings, and money market deposit accounts are valued at the amount payable on demand as of quarter end, resulting in a Level I classification.

Other borrowings

The fair value of Federal Home Loan Bank advances are estimated using a discounted cash flow analysis based on the current borrowing rates for similar types of borrowings, resulting in a Level III classification.

The Company also has unrecognized financial instruments at March 31, 2014 and December 31, 2013. These financial instruments relate to commitments to extend credit and letters of credit. The aggregated contract amount of such financial instruments was approximately $107.8 million at March 31, 2014 and $120.3 million at December 31, 2013. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 6 ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in accumulated other comprehensive income by component net of tax for the three month periods ended March 31, 2014 and 2013:

(Dollars in thousands)	**Pretax**	**Tax (Expense) Benefit**	**After-tax**	**Affected Line Item in the Consolidated Statements of Income**
Balance as of December 31, 2013	$ (2,207)	$ 751	$ (1,456)	
Unrealized holding gain on available-for-sale securities arising during the period	774	(263)	511	
Amortization of held-to-maturity discount resulting from transfer	52	(18)	34	(c)
Total other comprehensive income	826	(281)	545	
Balance as of March 31, 2014	$ (1,381)	$ 470	$ (911)	
Balance as of December 31, 2012	$ 2,824	$ (960)	$ 1,864	
Unrealized holding loss on available-for-sale securities arising during the period	(745)	253	(492)	
Total other comprehensive loss	(745)	253	(492)	
Balance as of March 31, 2013	$ 2,079	$ (707)	$ 1,372	

(c) There was no income statement effect from the transfer of securities to held-to-maturity.

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 management s discussion and analysis focuses on the consolidated financial condition of the Company at March 31, 2014 as compared to December 31, 2013, and the consolidated results of operations for the three month period ended March 31, 2014 compared to the same period in 2013. 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 contained in Part I, Item 1 of this Quarterly Report.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly 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 , similar expressions as they relate to the Company or its management are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Other factors not currently anticipated may also materially and adversely affect the Company s results of operations, cash flows and financial position. There can be no assurance that future results will meet expectations. While the Company believes that the forward-looking statements in this report are reasonable, the reader should not place undue reliance on any forward-looking statement.

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, except as may be required by applicable law.

FINANCIAL CONDITION

Total assets were $602 million at March 31, 2014, compared to $596 million at December 31, 2013, representing an increase of $6 million, or 1%. This growth was funded by a short-term borrowing increase of $13 million, or 27%, during the three month period ended March 31, 2014 to $62 million. Cash and cash equivalents decreased $23 million, or 55%, during the three months ending March 31, 2014, as a result of funding a $29 million increase in loans and a $14 million decrease in deposits.

Net loans increased $29 million, or 8%, during the three months ended March 31, 2014. Commercial loans including commercial real estate loans increased $27 million, or 11%, while construction and land development loans decreased $2 million, or 15%, with several construction projects transferring to permanent financing during the three month period. Residential real estate loans increased $3 million, or 3%, and consumer loans increased slightly over December 31, 2013. Consumers continued to refinance their mortgage loans for lower long-term rates. Since 2012, the

Bank originated and retained some fifteen year fixed-rate mortgage loans for its portfolio. Residential mortgage originations retained for the three months ended March 31, 2014 were $5.5 million as compared to $5 million for the prior year three month period. The Bank originates and sells fixed-rate thirty year mortgages into the secondary market.

The allowance for loan losses as a percentage of total loans was 1.24% at March 31, 2014, a decrease from 1.34% at December 31, 2013. Outstanding loan balances increased 8% to $408 million at March 31, 2014. A provision of $185 thousand, offset by net charge-offs of $205 thousand, decreased the allowance for loan losses for the three months ended March 31, 2014.

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CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

(Dollars in thousands)	**March 31, 2014**	**December 31, 2013**	**March 31, 2013**
Non-performing loans	$ 5,291	$ 3,270	$ 2,187
Other real estate			
Allowance for loan losses	5,065	5,085	4,804
Total loans	407,770	379,125	373,367
Allowance: Loans	1.24%	1.34%	1.29%
Allowance: Non-performing loans	1.0x	1.6x	2.2x

The ratio of gross loans to deposits was 87% at March 31, 2014, compared to 79% at December 31, 2013. The increase in this ratio is the result of loan volume increases and decreases in deposits during the three months ended March 31, 2014.

The Company has no exposure to government-sponsored enterprise preferred stocks, collateralized debt obligations or trust preferred securities. Management has considered industry analyst reports, sector credit reports and the volatility within the bond market in concluding that the gross unrealized losses of $1.7 million within the available-for-sale and held-to-maturity portfolios as of March 31, 2014, were primarily the result of customary and expected fluctuations in the bond market and not necessarily the expected cash flows of the individual securities. As a result, all security impairments detailed above on March 31, 2014, are considered temporary and no impairment loss relating to these securities has been recognized.

Deposits decreased $14 million, or 3%, from December 31, 2013 with noninterest bearing deposits decreasing $5 million and interest-bearing deposit accounts decreasing $9 million. Total deposits as of March 31, 2014 are $9 million above March 31, 2013 deposit balances. On a year over year comparison, increases were recognized in noninterest bearing demand deposits, statement and passbook savings, and money market savings accounts for the period ended March 31, 2014.

Short-term borrowings consisting of overnight repurchase agreements with retail customers and overnight fed funds borrowings from banks increased $13 million from December 31, 2013 and other borrowings increased $5 million as the Company borrowed long-term from the FHLB to offset interest rate risk from the origination of the fixed-rate portfolioed mortgages.

Total shareholders equity amounted to $53.9 million, or 9.0% of total assets, at March 31, 2014, compared to $52.4 million, or 8.8% of total assets, at December 31, 2013. The increase in shareholders equity during the three months ending March 31, 2014 was due to net income of $1.4 million and other comprehensive income increasing $545 thousand, which were partially offset by dividends declared of $493 thousand. The Company and the Bank met all regulatory capital requirements at March 31, 2014.

RESULTS OF OPERATIONS

Three months ended March 31, 2014 and 2013

For the quarter ended March 31, 2014, the Company recorded net income of $1.416 million or $0.52 per share, as compared to net income of $1.362 million, or $0.50 per share for the quarter ended March 31, 2013. The $54 thousand increase in net income for the quarter was a result of net interest income increasing $206 thousand and federal income tax provision decreasing $26 thousand. These gains were partially offset by an increase in noninterest expense of $118 thousand and a decrease in noninterest income of $85 thousand. Return on average assets and return on average equity were 0.97% and 10.70%, respectively, for the three month period of 2014, compared to 0.96% and 10.43%, respectively for the same quarter in 2013.

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CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Average Balance Sheets and Net Interest Margin Analysis

	For the three months ended March 31,			
	2014		2013	
(Dollars in thousands)	Average balance	Average rate	Average balance	Average rate
ASSETS				
Interest-earning deposits in other banks	$ 6,944	0.35%	$ 34,088	0.29%
Federal funds sold	96	0.24	106	0.16
Taxable securities	136,800	2.33	119,432	1.98
Tax-exempt securities	15,624	4.52	16,378	4.76
Loans	396,028	4.55	373,064	4.98
Total earning assets	555,492	3.95%	543,068	4.01%
Other assets	35,485		32,857	
TOTAL ASSETS	$ 590,977		$ 575,925	
LIABILITIES AND SHAREHOLDERS EQUITY				
Interest-bearing demand deposits	$ 72,309	0.06%	$ 70,299	0.06%
Savings deposits	152,182	0.09	140,222	0.11
Time deposits	131,288	0.80	156,536	1.10
Other borrowed funds	64,806	0.84	57,678	0.94
Total interest bearing liabilities	420,585	0.42%	424,735	0.58%
Non-interest bearing demand deposits	114,708		95,973	
Other liabilities	2,003		2,257	
Shareholders Equity	53,681		52,960	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 590,977		$ 575,925	
Taxable equivalent net interest spread		3.53%		3.43%
Taxable equivalent net interest margin		3.63%		3.56%

Interest income for the quarter ended March 31, 2014, was $5.3 million representing a $36 thousand increase, or a 1% improvement, compared to the same period in 2013. This increase was primarily due to average loan volume increasing $23 million for the quarter ended March 31, 2014 as compared to the first quarter 2013. Interest expense for the quarter ended March 31, 2014 was $438 thousand, a decrease of $170 thousand, or 28%, from the same period in 2013. The decrease in interest expense occurred primarily due to a decrease of 0.17% in interest rates paid on interest-bearing deposits which decreased from 0.5% in 2013 to 0.3% in 2014 and a rate decrease of .10% on all other borrowings which declined from 0.9% in 2013 to 0.8% for the quarter ended March 31, 2014.

The provision for loan losses for the quarter ended March 31, 2014 was $185 thousand, compared to a $210 thousand provision for the same quarter in 2013. 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.

Noninterest income for the quarter ended March 31, 2014, was $1.0 million, a decrease of $85 thousand, or 8%, compared to the same quarter in 2013. Service charges on deposit accounts decreased $18 thousand, or 6%, compared to the same quarter in 2013 primarily from decreases in overdraft fees. Debit card interchange income increased $20 thousand, or 11%, with greater fee income. Fees from trust and brokerage services increased $2 thousand to $216 thousand for the first quarter 2014 as compared to the same quarter in 2013. The gain on the sale of mortgage loans to the secondary market decreased to $24 thousand for the quarter ending March 31, 2014, from $114 thousand in the quarter ended March 31, 2013. Mortgage originations decreased during the quarter as secondary market mortgage refinancings have declined with higher mortgage interest rates.

CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

Noninterest expenses for the quarter ended March 31, 2014 increased $118 thousand, or 3%, compared to the first quarter of 2013. Salaries and employee benefits decreased $31 thousand, or 2%. Occupancy and equipment expenses increased $24 thousand in 2014 over the first quarter of 2013. Other expenses increased $17 thousand, or 4%, compared to the first quarter 2013.

Federal income tax expense decreased $26 thousand, or 4%, for the quarter ended March 31, 2014 as compared to the first quarter of 2013. The provision for income taxes was $573 thousand (effective rate of 29%) for the quarter ended March 31, 2014, compared to $599 thousand (effective rate of 31%) for the quarter ended March 31, 2013. The decrease in the expense resulted from the recapture of a $35 thousand capital loss valuation reserve.

CAPITAL RESOURCES

The Board of Governors of the Federal Reserve System (the Federal Reserve) 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 the Company s Annual Report on Form 10-K for the year ended December 31, 2013. As of March 31, 2014 the Company and the Bank met all capital adequacy requirements to which they were subject.

LIQUIDITY

(Dollars in millions)	**March 31, 2014**	**December 31, 2013**	**Change**
Cash and cash equivalents	$ 19	$ 43	$ (24)
Unused lines of credit	29	42	(13)
Unpledged securities at fair market value	64	42	22
	$ 112	$ 127	$ (15)
Net deposits and short-term liabilities	$ 494	$ 473	$ 21
Liquidity ratio	23.0%	26.9%	
Minimum board approved liquidity ratio	20.0%	20.0%	

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. Liquidity is monitored by the Company s Asset Liability Committee. Other sources of liquidity include, but are not limited to, purchases of federal funds, advances from the FHLB, adjustments of interest rates to attract deposits, brokered 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.

The liquidity ratio declined to 23% at March 31, 2014, from 27% at December 31, 2013 as a result of seasonal deposit decline with temporary funding from the overnight funds market combined with loan growth.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements (as such term is defined in applicable Securities and Exchange Commission (the 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, 2014, from the disclosures presented in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Management performs a quarterly analysis of the Company s interest rate risk over a twenty-four month horizon. The analysis includes two balance sheet models, one based on a static balance sheet and one on a dynamic balance sheet with projected growth in assets and liabilities. 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 through 400 basis point changes, in 100 basis point changes, in market interest rates at March 31, 2014 and December 31, 2013. The net interest income reflected is for the first twelve month period of the modeled twenty-four month horizon. The underlying balance sheet for illustrative purposes is dynamic with projected growth in assets and liabilities.

(Dollars in thousands)

March 31, 2014

Change in interest rates (basis points)	Net interest income	Dollar change	Percentage change	Board Policy Limits
+ 400	$ 21,006	$487	2.4%	+/-25
+ 300	20,817	298	1.5	+/-15
+ 200	20,649	130	0.6	+/-10
+ 100	20,519			+/-5
0	20,519			
- 100	20,416	(103)	(0.5)	+/-5

December 31, 2013

Change in interest rates (basis points)	Net interest income	Dollar change	Percentage change	Board Policy Limits
+ 400	$ 20,812	$962	4.8%	+/-25
+ 300	20,507	657	3.3	+/-15
+ 200	20,217	367	1.8	+/-10
+ 100	19,966	116	0.6	+/-5
0	19,850			
- 100	19,644	(206)	(1.0)	+/-5

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CSB BANCORP, INC.

CONTROLS AND PROCEDURES

ITEM 4 CONTROLS AND PROCEDURES

With the participation of the Company s management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its 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, the Company s 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 Commission 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 the Company s 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 the Company s 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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FORM 10-Q

Quarter ended March 31, 2014

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS.

In the opinion of management there are no outstanding legal proceedings that are reasonably likely to have a material adverse effect on the company s financial condition or results of operations.

ITEM 1A RISK FACTORS.

There have been no material changes to the Company s risk factors from those disclosed in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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

On July 7, 2005 CSB Bancorp, Inc. filed Form 8-K with the 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 may be made from time to time as market and business conditions warrant, in the open market, through block purchases and in negotiated private transactions. No repurchase were made during the quarterly period ended March 31, 2014.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4 MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5 OTHER INFORMATION.

Not applicable.

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CSB BANCORP, INC.

FORM 10-Q

Quarter ended March 31, 2014

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 the Registrant s Quarterly Report on Form 10-Q filed August 6, 2004, Exhibit 3.1, film number 04958544).
3.2	Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to the Registrant s Form 10-SB).
3.2.1	Amended Article VIII of the Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to Registrant s Form DEF 14a filed on March 25, 2009, Appendix A, film number 09703970).
4.0	Specimen stock certificate (incorporated by reference to Registrant s Form 10-SB).
11	Statement Regarding Computation of Per Share Earnings.
31.1	Rule 13a-14(a)/15d-14(a) Chief Executive Officer s Certification.
31.2	Rule 13a-14(a)/15d-14(a) Chief Financial Officer s Certification.
32.1	Section 1350 Chief Executive Officer s Certification.
32.2	Section 1350 Chief Financial Officer s Certification.
101	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 formatted in XBRL (extensible Business Reporting Language): (i) Consolidated Balance Sheets: (ii) Consolidated Statements of Income: (iii) Consolidated Statements of Comprehensive Income: (iv) Condensed Consolidated Statements of Changes in Shareholders Equity: (v) Condensed Consolidated Statements of Cash Flows: and (vi) Notes to Consolidated Financial Statements.

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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 13, 2014	/s/ Eddie L. Steiner Eddie L. Steiner President Chief Executive Officer
Date: May 13, 2014	/s/ Paula J. Meiler Paula J. Meiler Senior Vice President Chief Financial Officer

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