CSB BANCORP INC /OH
Form 10-Q
November 13, 2015

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: September 30, 2015

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 November 1, 2015:
	2,739,405 common shares

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CSB BANCORP, INC.

FORM 10-Q

QUARTER ENDED September 30, 2015

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CSB BANCORP, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands)	**September 30, 2015**	**December 31, 2014**
ASSETS		
Cash and cash equivalents		
Cash and due from banks	$ 11,940	$ 15,310
Interest-earning deposits in other banks	27,896	28,613
Total cash and cash equivalents	39,836	43,923
Securities		
Available-for-sale, at fair value	115,231	100,108
Held-to-maturity; fair value of $37,259 in 2015 and $38,950 in 2014	36,621	38,316
Restricted stock, at cost	4,614	4,614
Total securities	156,466	143,038
Loans held for sale	140	75
Loans	412,974	410,903
Less allowance for loan losses	4,632	4,381
Net loans	408,342	406,522
Premises and equipment, net	8,290	8,286
Core deposit intangible	535	629
Goodwill	4,728	4,728
Bank-owned life insurance	10,016	9,815
Accrued interest receivable and other assets	4,028	3,965
TOTAL ASSETS	$ 632,381	$ 620,981
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	$ 146,001	$ 139,251
Interest-bearing	359,087	360,824

Total deposits		505,088		500,075
Short-term borrowings		50,823		46,627
Other borrowings		13,602		14,953
Accrued interest payable and other liabilities		2,364		1,876
Total liabilities		571,877		563,531
SHAREHOLDERS EQUITY				
Common stock, $6.25 par value. Authorized 9,000,000 shares; issued 2,980,602 shares; outstanding 2,739,405 shares in 2015 and 2014		18,629		18,629
Additional paid-in capital		9,884		9,884
Retained earnings		36,944		34,090
Treasury stock at cost 241,197 shares in 2015 and 2014		(4,871)		(4,871)
Accumulated other comprehensive loss		(82)		(282)
Total shareholders equity		60,504		57,450
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	632,381	$	620,981

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 September 30, 2015**	**2014**	**Nine Months Ended September 30, 2015**	**2014**
INTEREST AND DIVIDEND INCOME				
Loans, including fees	$ 4,612	$ 4,645	$ 13,930	$ 13,705
Taxable securities	683	661	2,041	2,182
Nontaxable securities	142	115	408	345
Other	25	14	58	23
Total interest and dividend income	5,462	5,435	16,437	16,255
INTEREST EXPENSE				
Deposits	271	291	815	884
Short-term borrowings	19	18	53	59
Other borrowings	104	129	312	372
Total interest expense	394	438	1,180	1,315
NET INTEREST INCOME	5,068	4,997	15,257	14,940
PROVISION FOR LOAN LOSSES		123	389	458
Net interest income, after provision for loan losses	5,068	4,874	14,868	14,482
NONINTEREST INCOME				
Service charges on deposit accounts	315	324	916	937
Trust services	198	199	643	617
Debit card interchange fees	250	236	723	667
Securities gains			56	133
Gain on sale of loans, net	114	77	306	145
Other income	242	241	709	690
Total noninterest income	1,119	1,077	3,353	3,189
NONINTEREST EXPENSES				
Salaries and employee benefits	2,222	2,123	6,596	6,253
Occupancy expense	252	255	777	761
Equipment expense	166	180	497	549
Professional and director fees	173	132	665	528
Franchise tax expense	106	107	305	320

Marketing and public relations	111	79	286	285
Software expense	198	177	600	510
Debit card expense	102	107	310	296
Telephone expense	80	66	216	196
Amortization of intangible assets	31	32	94	97
FDIC insurance expense	90	90	272	267
Other expenses	413	422	1,248	1,233
Total noninterest expenses	3,944	3,770	11,866	11,295
Income before income taxes	2,243	2,181	6,355	6,376
FEDERAL INCOME TAX PROVISION	687	674	1,940	1,931
NET INCOME	$ 1,556	$ 1,507	$ 4,415	$ 4,445
Basic and diluted net earnings per share	$ 0.57	$ 0.55	$ 1.61	$ 1.62

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 September 30, 2015**	**Three Months Ended September 30, 2014**	**Nine Months Ended September 30, 2015**	**Nine Months Ended September 30, 2014**
Net income	$ 1,556	$ 1,507	$ 4,415	$ 4,445
Other comprehensive income				
Unrealized gains arising during the period	704		86	1,356
Amounts reclassified from accumulated other comprehensive income, held-to-maturity	56	56	272	160
Income tax effect	(258)	(19)	(121)	(515)
Reclassification adjustment for gains on available-for- sale securities included in net income			(56)	(133)
Income tax effect			19	45
Other comprehensive income	502	37	200	913
Total comprehensive income	$ 2,058	$ 1,544	$ 4,615	$ 5,358

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(Dollars in thousands, except per share data)	**Three Months Ended September 30, 2015**	**2014**	**Nine Months Ended September 30, 2015**	**2014**
Balance at beginning of period	$ 58,966	$ 55,239	$ 57,450	$ 52,411
Net income	1,556	1,507	4,415	4,445
Other comprehensive income	502	37	200	913
Stock options exercised 451 shares issued in 2014		7		6
Cash dividends declared	(520)	(520)	(1,561)	(1,505)
Balance at end of period	$ 60,504	$ 56,270	$ 60,504	$ 56,270
Cash dividends declared per share	$ 0.19	$ 0.19	$ 0.57	$ 0.55

See notes to unaudited consolidated financial statements.

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CSB BANCORP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)	**Nine Months Ended September 30, 2015**	**2014**
NET CASH FROM OPERATING ACTIVITIES	$ 5,262	$ 5,100
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities:		
Proceeds from repayments, held-to-maturity	11,917	6,356
Proceeds from maturities and repayments, available-for-sale	26,684	17,604
Purchases, available-for-sale	(43,617)	(16,054)
Purchases, held-to-maturity	(10,000)	
Proceeds from sale of available-for-sale securities	1,576	2,483
Proceeds from redemption of restricted stock		850
Loan originations, net of repayments	(2,197)	(31,071)
Property, equipment, and software acquisitions	(529)	(376)
Net cash used in investing activities	(16,166)	(20,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	5,013	5,597
Net change in short-term borrowings	4,196	42
Proceeds from other borrowings		5,000
Repayment of other borrowings	(1,351)	(341)
Cash dividends paid	(1,041)	(985)
Stock options exercised		6
Net cash provided by financing activities	6,817	9,319
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,087)	(5,789)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,923	42,599
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 39,836	$ 36,810
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	$ 1,187	$ 1,333
Income taxes	1,430	1,775
Noncash financing activities:		
Dividends declared	520	520

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 September 30, 2015, 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, 2014, contains Consolidated Financial Statements and related footnote disclosures, which should be read in conjunction with the accompanying Consolidated Financial Statements. The results of operations for the period ended September 30, 2015 are not necessarily indicative of the operating results for the full year or any future interim period.

Certain items in the prior-year financial statements were reclassified to conform to the current-year presentation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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. The Company has included the disclosures related to this Update in Note 3.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (a new revenue recognition standard). The Update s core principle is that a company will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this update specifies the accounting for certain costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This Update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is evaluating the effect of adopting this new accounting Update.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The amendments in this Update change the accounting for repurchase-to-maturity transactions to secured borrowing accounting. For repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The amendments also require enhanced disclosures. The accounting changes in this Update are effective for the first interim or annual period beginning after December

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

15, 2014. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Earlier application is prohibited. The disclosure for certain transactions accounted for as a sale is required to be presented for interim and annual periods beginning after December 15, 2014, and the disclosure for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings is required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The disclosures are not required to be presented for comparative periods before the effective date. The company has included the disclosures related to this Update in Note 4.

In January 2015, the FASB issued ASU 2015-01, *Income Statement Extraordinary and Unusual Items,* as part of its initiative to reduce complexity in accounting standards. This Update eliminates from U.S. GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity may also apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This Update is not expected to have a significant impact on the Company s financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40)*, as part of its initiative to reduce complexity in accounting standards. This guidance will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The amendments in this Update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. For public business entities, the FASB decided that the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the amendments will be effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Early adoption is permitted for all entities. This Update is not expected to have a significant impact on the Company s financial statements.

In June 2015, the FASB issued ASU 2015-10, *Technical Corrections and Improvements*. The amendments in this Update represent changes to clarify the FASB Accounting Standards Codification (Codification), correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Transition guidance varies based on the amendments in this Update. The amendments in this Update that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15,

2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of this Update. This Update is not expected to have a significant impact on the Company s financial statements.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606). The amendments in this Update defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company is evaluating the effect of adopting this new accounting Update.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2 SECURITIES

Securities consist of the following at September 30, 2015 and December 31, 2014:

(Dollars in thousands)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
September 30, 2015				
Available-for-sale				
U.S. Treasury security	$ 1,002	$ 2	$	$ 1,004
U.S. Government agencies	21,444	45	50	21,439
Mortgage-backed securities of government agencies	48,368	908	109	49,167
Other mortgage-backed securities	113			113
Asset-backed securities of government agencies	1,498		66	1,432
State and political subdivisions	25,006	330	101	25,235
Corporate bonds	16,767	23	14	16,776
Equity securities	53	12		65
Total available-for-sale	114,251	1,320	340	115,231
Held-to-maturity securities				
U.S. Government agencies	17,492	445	18	17,919
Mortgage-backed securities of government agencies	19,129	240	29	19,340
Total held-to-maturity	36,621	685	47	37,259
Restricted stock	4,614			4,614
Total securities	$ 155,486	$ 2,005	$ 387	$ 157,104
December 31, 2014				
Available-for-sale				
U.S. Treasury security	$ 1,004	$	$ 4	$ 1,000
U.S. Government agencies	25,228	6	155	25,079
Mortgage-backed securities of government agencies	47,696	730	79	48,347
Other mortgage-backed securities	139	2		141
Asset-backed securities of government agencies	2,606	3	5	2,604

State and political subdivisions	17,878	433	44	18,267
Corporate bonds	4,503	40	1	4,542
Equity securities	106	22		128
Total available-for-sale	99,160	1,236	288	100,108
Held-to-maturity securities				
U.S. Government agencies	16,343	294	2	16,635
Mortgage-backed securities of government agencies	21,973	398	56	22,315
Total held-to-maturity	38,316	692	58	38,950
Restricted stock	4,614			4,614
Total securities	$ 142,090	$ 1,928	$ 346	$ 143,672

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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 September 30, 2015, 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	$ 9,545	$ 9,554
Due after one through five years	23,507	23,672
Due after five through ten years	23,341	23,477
Due after ten years	57,805	58,463
Total debt securities available-for-sale	$ 114,198	$ 115,166
Held-to-maturity:		
Due in one year or less	$	$
Due after one through five years		
Due after five through ten years	11,777	11,959
Due after ten years	24,844	25,300
Total debt securities held-to-maturity	$ 36,621	$ 37,259

Securities with a fair market value of approximately $96.1 million and $88.4 million were pledged at September 30, 2015 and December 31, 2014, 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 of Cincinnati (FHLB) and Federal Reserve Bank stock. The Bank s investment in FHLB stock amounted to approximately $4.1 million at September 30, 2015 and December 31, 2014. Federal Reserve Bank stock was $471 thousand at September 30, 2015 and December 31, 2014.

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.

(Dollars in thousands)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Proceeds	$	$	$ 1,576	$ 2,483
Realized gains			56	133
Realized losses				
Net securities gains	$	$	$ 56	$ 133

There were no income tax provisions from realized gains for the three month periods ending September 30, 2015 and 2014, respectively. The income tax provision applicable to realized gains amounted to $19 thousand and $45 thousand for the nine month periods ending September 30, 2015 and 2014, respectively. There were no tax benefits recognized from realized losses in 2015 or 2014.

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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 September 30, 2015 and December 31, 2014:

	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
September 30, 2015						
Available-for-sale						
U.S. Government agencies	$ 25	$ 5,668	$ 25	$ 4,975	$ 50	$ 10,643
Mortgage-backed securities of government agencies	109	6,864			109	6,864
Asset-backed securities of government agencies	66	1,432			66	1,432
State and political subdivisions	90	4,848	11	684	101	5,532
Corporate bonds	14	5,643			14	5,643
Held-to-maturity						
U.S. Government agencies	18	1,982			18	1,982
Mortgage-backed securities of government agencies	29	7,674			29	7,674
Total temporarily impaired securities	$ 351	$ 34,111	$ 36	$ 5,659	$ 387	$ 39,770
December 31, 2014						
Available-for-sale						
U.S. Treasury security	$ 4	$ 1,000	$	$	$ 4	$ 1,000
U.S. Government agencies	12	5,188	143	5,856	155	11,044
Mortgage-backed securities of government agencies	40	6,348	39	4,939	79	11,287
Asset-backed securities of government agencies	5	1,603			5	1,603
State and political subdivisions	13	1,300	31	1,416	44	2,716
Corporate bonds	1	499			1	499
Held-to-maturity						
U.S. Government agencies	2	998			2	998
Mortgage-backed securities of government agencies			56	9,265	56	9,265

Total temporarily impaired securities	$ 77	$ 16,936	$ 269	$ 21,476	$ 346	$ 38,412

There were forty-two (42) securities in an unrealized loss position at September 30, 2015, eight (8) 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 September 30, 2015.

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS

Loans consist of the following:

(Dollars in thousands)	**September 30, 2015**	**December 31, 2014**
Commercial	$ 125,785	$ 123,813
Commercial real estate	140,210	139,695
Residential real estate	122,030	121,684
Construction & land development	15,188	17,446
Consumer	9,358	7,913
Total loans before deferred costs	412,571	410,551
Deferred loan costs	403	352
Total Loans	$ 412,974	$ 410,903

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 September 30, 2015 and December 31, 2014, approximately 76% and 77% of the outstanding principal balances 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 $76.2 million and $70.6 million at September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014, there were no concentrations of loans related to any single industry.

Allowance for Loan Losses

The following tables detail activity in the allowance for loan losses by portfolio segment for the three and nine month periods ended September 30, 2015 and 2014. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

The changes in the provision for loan losses for the three and nine month periods of 2015 related to commercial and industrial loans were primarily due to the increase in a specific reserve for one commercial relationship as well as the increase in the qualitative economic factors applied to loans in this category. The decrease in the provision related to commercial real estate loans was primarily due to the overall improved credit quality of the loans in this category.

The increase in the provision for possible loan losses during 2014 related to commercial and industrial loans was due to the increase in specific allocation amounts related to impaired loans and also the increase in loan balances. The increase in the provision related to commercial real estate loans was affected by an increase in loan balances and charge-offs that occurred during the nine months ended September 30, 2014. The decrease in the provision related to commercial real estate loans during the three months ended September 30, 2014, was due to the leveling off of loan balances in this category, as well as the payoff of an impaired loan. The decrease in the provision related to residential real estate loans was affected by the decrease in the specific allocation amounts related to impaired residential real estate loans during the three and nine months ended September 30, 2014. The decrease in the provision related to construction and land development loans relates primarily to the decrease in loan volume due to completion of construction projects and loans being moved to permanent financing.

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CSB BANCORP, INC.

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(Unaudited)

NOTE 3 LOANS (CONTINUED)

(Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Residential Real Estate**	**Construction & Land Development**	**Consumer**	**Unallocated**	**Total**
Three months ended September 30, 2015							
Beginning balance	$ 1,354	$ 1,459	$ 994	$ 125	$ 74	$ 650	$ 4,656
Provision for possible loan losses	461	(203)	69		24	(351)	
Charge-offs	(85)				(10)		(95)
Recoveries	63	3	1		4		71
Net charge-offs	(22)	3	1		(6)		(24)
Ending balance	$ 1,793	$ 1,259	$ 1,064	$ 125	$ 92	$ 299	$ 4,632
Nine months ended September 30, 2015							
Beginning balance	$ 1,289	$ 1,524	$ 1,039	$ 142	$ 60	$ 327	$ 4,381
Provision for possible loan losses	519	(238)	85	(17)	68	(28)	389
Charge-offs	(90)	(40)	(70)		(44)		(244)
Recoveries	75	13	10		8		106
Net charge-offs	(15)	(27)	(60)		(36)		(138)
Ending balance	$ 1,793	$ 1,259	$ 1,064	$ 125	$ 92	$ 299	$ 4,632
Three months ended September 30, 2014							
Beginning balance	$ 1,322	$ 2,087	$ 1,158	$ 51	$ 43	$ 402	$ 5,063
Provision for possible loan losses	398	(240)	(157)	(11)	45	88	123
Charge-offs	(5)	(1)	(1)		(2)		(9)
Recoveries	2	1	5		3		11
Net charge-offs	(3)		4		1		2
Ending balance	$ 1,717	$ 1,847	$ 1,005	$ 40	$ 89	$ 490	$ 5,188

Nine months ended September 30, 2014							
Beginning balance	$ 1,219	$ 1,872	$ 1,205	$ 178	$ 91	$ 520	$ 5,085
Provision for possible loan losses	512	328	(206)	(138)	(8)	(30)	458
Charge-offs	(24)	(354)	(6)		(5)		(389)
Recoveries	10	1	12		11		34
Net charge-offs	(14)	(353)	6		6		(355)
Ending balance	$ 1,717	$ 1,847	$ 1,005	$ 40	$ 89	$ 490	$ 5,188

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 September 30, 2015 and December 31, 2014:

(Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Residential Real Estate**	**Construction**	**Consumer**	**Unallocated**	**Total**
September 30, 2015							
Allowance for loan losses:							
Individually evaluated for impairment	$ 300	$ 67	$ 28	$	$	$	$ 395
Collectively evaluated for impairment	1,493	1,192	1,036	125	92	299	4,237
Total ending allowance balance	$ 1,793	$ 1,259	$ 1,064	$ 125	$ 92	$ 299	$ 4,632
Loans:							
Loans individually evaluated for impairment	$ 6,032	$ 1,083	$ 1,621	$	$		$ 8,736
Loans collectively evaluated for impairment	119,753	139,127	120,409	15,188	9,358		403,835
Total ending loans balance	$ 125,785	$ 140,210	$ 122,030	$ 15,188	$ 9,358		$ 412,571
December 31, 2014							
Allowance for loan losses:							
Individually evaluated for impairment	$	$ 109	$ 75	$	$	$	$ 184
Collectively evaluated for impairment	1,289	1,415	964	142	60	327	4,197
Total ending allowance balance	$ 1,289	$ 1,524	$ 1,039	$ 142	$ 60	$ 327	$ 4,381

Loans:						
Loans individually evaluated for impairment	$ 5,922	$ 1,679	$ 1,612	$	$	$ 9,213
Loans collectively evaluated for impairment	117,891	138,016	120,072	17,446	7,913	401,338
Total ending loans balance	$ 123,813	$ 139,695	$ 121,684	$ 17,446	$ 7,913	$ 410,551

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 September 30, 2015 and December 31, 2014:

(Dollars in thousands)	**Unpaid Principal Balance**	**Recorded Investment with no Allowance**	**Recorded Investment with Allowance**	**Total Recorded Investment**	**Related Allowance**
September 30, 2015					
Commercial	$ 6,439	$ 5,741	$ 307	$ 6,048	$ 300
Commercial real estate	1,274	488	594	1,082	67
Residential real estate	1,804	822	801	1,623	28
Total impaired loans	$ 9,517	$ 7,051	$ 1,702	$ 8,753	$ 395
December 31, 2014					
Commercial	$ 7,011	$ 5,889	$ 37	$ 5,926	$
Commercial real estate	1,836	950	728	1,678	109
Residential real estate	1,721	885	730	1,615	75
Total impaired loans	$ 10,568	$ 7,724	$ 1,495	$ 9,219	$ 184

The following table presents the average recorded investment in impaired loans and related interest income recognized for the periods indicated.

	Three months ended September 30,		**Nine months ended September 30,**	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Average recorded investment:				
Commercial	$ 5,667	$ 7,148	$ 5,887	$ 6,780
Commercial real estate	1,306	2,811	1,537	3,328
Residential real estate	1,698	1,775	1,682	1,832

Average recorded investment in impaired loans	$ 8,671	$ 11,734	$ 9,106	$ 11,940
Interest income recognized:				
Commercial	$ 58	$ 53	$ 163	$ 156
Commercial real estate	5	6	14	76
Residential real estate	14	15	49	46
Interest income recognized on a cash basis on impaired loans	$ 77	$ 74	$ 226	$ 278

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 LOANS (CONTINUED)

The following table presents the aging of past due loans and nonaccrual loans as of September 30, 2015 and December 31, 2014 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**
September 30, 2015							
Commercial	$ 125,306	$ 262	$ 14	$	$ 203	$ 479	$ 125,785
Commercial real estate	139,240	62			908	970	140,210
Residential real estate	120,595	437	91	154	753	1,435	122,030
Construction & land development	15,188						15,188
Consumer	9,220	100	38			138	9,358
Total Loans	$ 409,549	$ 861	$ 143	$ 154	$ 1,864	$ 3,022	$ 412,571
December 31, 2014							
Commercial	$ 122,283	$ 362	$ 96	$ 1	$ 1,071	$ 1,530	$ 123,813
Commercial real estate	137,683	174	104		1,734	2,012	139,695
Residential real estate	120,025	424	92	280	863	1,659	121,684
Construction & land development	17,431		15			15	17,446
Consumer	7,798	73	42			115	7,913
Total Loans	$ 405,220	$ 1,033	$ 349	$ 281	$ 3,668	$ 5,331	$ 410,551

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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 $7.6 million as of September 30, 2015, and $6.8 million as of December 31, 2014, with $33 thousand and $88 thousand of specific reserves allocated to those loans, respectively. At September 30, 2015, $7.1 million of the loans classified as TDR s were performing in accordance with their modified terms. Of the remaining $423 thousand, all were in nonaccrual of interest status.

The Company held no foreclosed real estate as of September 30, 2015 or December 31, 2014. Consumer mortgage loans in the process of foreclosure were $272 thousand at September 30, 2015 and $139 thousand at December 31, 2014.

The following table presents loans restructured during the three and nine month periods ended September 30, 2015 and 2014.

(Dollars in thousands)	**Number of loans restructured**	**Pre-Modification Recorded Investment**	**Post-Modification Recorded Investment**
For the Three Months Ended September 30, 2015			
Commercial	1	$ 148	$ 148
Total Restructured Loans	1	$ 148	$ 148
For the Nine Months Ended September 30, 2015			
Commercial	1	$ 148	$ 148
Residential Real Estate	4	295	295
Total Restructured Loans	5	$ 443	$ 443
For the Nine Months Ended September 30, 2014			

Residential Real Estate	1	$	84	$	84
Total Restructured Loans	1	$	84	$	84

The loans restructured were modified by changing the monthly payment to interest only. No principal reduction was made. None of the loans that were restructured in 2013 or 2014 have subsequently defaulted in the three or nine month periods ended September 30, 2015 and 2014. There were no TDR s in the three month period ended September 30, 2014.

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 LOANS (CONTINUED)

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 $300 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.

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 $300 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 September 30, 2015 and December 31, 2014:

(Dollars in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Not Rated**	**Total**
September 30, 2015						
Commercial	$ 114,408	$ 2,898	$ 7,806	$	$ 673	$ 125,785
Commercial real estate	132,546	3,501	3,206		957	140,210
Residential real estate	192		428		121,410	122,030
Construction & land development	12,221	989			1,978	15,188
Consumer					9,358	9,358
Total	$ 259,367	$ 7,388	$ 11,440	$	$ 134,376	$ 412,571
December 31, 2014						
Commercial	$ 112,467	$ 3,809	$ 6,690	$	$ 847	$ 123,813
Commercial real estate	129,792	4,898	3,634		1,371	139,695
Residential real estate	209		39		121,436	121,684
Construction & land development	13,889	1,579			1,978	17,446
Consumer					7,913	7,913
Total	$ 256,357	$ 10,286	$ 10,363	$	$ 133,545	$ 410,551

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 LOANS (CONTINUED)

The following table presents loans that are not rated by class of loans as of September 30, 2015 and December 31, 2014. Nonperforming loans include loans past due 90 days or more and loans on nonaccrual of interest status.

(Dollars in thousands)	**Performing**	**Non-Performing**	**Total**
September 30, 2015			
Commercial	$ 673	$	$ 673
Commercial real estate	957		957
Residential real estate	120,538	872	121,410
Construction & land development	1,978		1,978
Consumer	9,358		9,358
Total	$ 133,504	$ 872	$ 134,376
December 31, 2014			
Commercial	$ 847	$	$ 847
Commercial real estate	1,371		1,371
Residential real estate	120,332	1,104	121,436
Construction & land development	1,978		1,978
Consumer	7,913		7,913
Total	$ 132,441	$ 1,104	$ 133,545

NOTE 4 SHORT-TERM BORROWINGS

The following table provides additional detail regarding repurchase agreements accounted for as secured borrowings.

	Overnight and Continuous	
(Dollars in thousands)	**September 30, 2015**	**December 31, 2014**
Securities of U.S. Government Agencies pledged	$ 51,052	$ 46,842
Repurchase agreements	$ 50,823	$ 46,627

NOTE 5 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

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NOTE 5- FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the assets reported on the Consolidated Balance Sheet at their fair value as of September 30, 2015 and December 31, 2014 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**
September 30, 2015				
Assets:				
Securities available-for-sale				
U.S. Treasury security	$ 1,004	$	$	$ 1,004
U.S. Government agencies		21,439		21,439
Mortgage-backed securities of government agencies		49,167		49,167
Other mortgage-backed securities		113		113
Asset-backed securities of government agencies		1,432		1,432
State and political subdivisions		25,235		25,235
Corporate bonds		16,776		16,776
Total debt securities	1,004	114,162		115,166
Equity securities	65			65
Loans held for sale	140			140
Total available-for-sale securities	$ 1,209	$ 114,162	$	$ 115,371
December 31, 2014				
Assets:				
Securities available-for-sale				
U.S. Treasury security	$ 1,000	$	$	$ 1,000
U.S. Government agencies		25,079		25,079
Mortgage-backed securities of government agencies		48,347		48,347
Other mortgage-backed securities		141		141

Asset-backed securities of government agencies		2,604		2,604
State and political subdivisions		18,267		18,267
Corporate bonds		4,542		4,542
Total debt securities	1,000	98,980		99,980
Equity securities	128			128
Loans held for sale	75			75
Total available-for-sale securities	$ 1,203	$ 98,980	$	$ 100,183

The following table presents the assets measured on a nonrecurring basis on the Consolidated Balance Sheets at their fair value as of September 30, 2015 and December 31, 2014, by level within the fair value hierarchy. Impaired loans 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5- FAIR VALUE MEASUREMENTS (CONTINUED)

(Dollars in thousands)	**Level I**	**Level II**	**Level III**	**Total**
September 30, 2015				
Assets measured on a nonrecurring basis:				
Impaired loans	$	$	$ 8,341	$ 8,341
December 31, 2014				
Assets measured on a nonrecurring basis:				
Impaired loans	$	$	$ 9,029	$ 9,029

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)**
September 30, 2015				
Impaired loans	$ 7,306	Discounted cash flow	Remaining term Discount rate	1 mo to 30 yrs (62 months) 3.1% to 9.8% (4.3%)
	1,035	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expense (2)	0% to -50% (-26%) -10% (-10%)
December 31, 2014				
Impaired loans	$ 6,539	Discounted cash flow	Remaining term Discount rate	2 mos to 28 yrs (62 mos) 3.1% to 8.3% (4.6%)
	2,490	Appraisal of collateral (1)	Appraisal adjustments (2) Liquidation expense (2)	-20% to -25% (-24%) -10% (-10%)

(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.

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NOTE 6 FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of recognized financial instruments as of September 30, 2015 and December 31, 2014 are as follows:

(Dollars in thousands)	**Carrying Value**	**Level 1**	**Level II**	**Level III**	**Total Fair Value**
September 30, 2015					
Financial assets:					
Cash and cash equivalents	$ 39,836	$ 39,836	$	$	$ 39,836
Securities available-for-sale	115,231	1,069	114,162		115,231
Securities held-to-maturity	36,621		37,259		37,259
Restricted stock	4,614	4,614			4,614
Loans held-for-sale	140	140			140
Net loans	408,342			413,814	413,814
Bank-owned life insurance	10,016	10,016			10,016
Accrued interest receivable	1,726	1,726			1,726
Mortgage servicing rights	245			245	245
Financial liabilities:					
Deposits	$ 505,088	$ 380,929	$	$ 124,811	$ 505,740
Short-term borrowings	50,823	50,823			50,823
Other borrowings	13,602			14,027	14,027
Accrued interest payable	78	78			78
December 31, 2014					
Financial assets:					
Cash and cash equivalents	$ 43,923	$ 43,923	$	$	$ 43,923
Securities available-for-sale	100,108	1,128	98,980		100,108
Securities held-to-maturity	38,316		38,950		38,950
Restricted stock	4,614	4,614			4,614
Loans held-for-sale	75	75			75
Net loans	406,522			411,168	411,168
Bank-owned life insurance	9,815	9,815			9,815
Accrued interest receivable	1,329	1,329			1,329
Mortgage servicing rights	222			222	222
Financial liabilities:					
Deposits	$ 500,075	$ 372,312	$	$ 128,445	$ 500,757
Short-term borrowings	46,627	46,627			46,627

Other borrowings	14,953			15,348	15,348
Accrued interest payable	84	84			84

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

Cash and cash equivalents; Loans held for sale; 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 6 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 I.

Mortgage servicing rights

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 recurring basis and are classified within Level III of the fair value hierarchy.

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 September 30, 2015 and December 31, 2014. These financial instruments relate to commitments to extend credit and letters of credit. The aggregated contract amount of such financial instruments was approximately $134 million at September 30, 2015 and $128 million at December 31, 2014. 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.

CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 7- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax for the three and nine month periods ended September 30, 2015 and 2014:

(Dollars in thousands)	**Pretax**	**Tax (Expense) Benefit**	**After-tax**	**Affected Line Item in the Consolidated Statements of Income**
Three months ended September 30, 2015				
Balance as of June 30, 2015	$ (885)	$ 301	$ (584)	
Unrealized holding gain on available-for-sale securities arising during the period	704	(239)	465	
Reclassify gain included in income				(a, b)
Amortization of held-to-maturity discount resulting from transfer	56	(19)	37	(c)
Total other comprehensive income	760	(258)	502	
Balance as of September 30, 2015	$ (125)	$ 43	$ (82)	
Nine months ended September 30, 2015				
Balance as of December 31, 2014	$ (427)	$ 145	$ (282)	
Unrealized holding gain on available-for-sale securities arising during the period	86	(29)	57	
Reclassify gain included in income	(56)	19	(37)	(a, b)
Amortization of held-to-maturity discount resulting from transfer	272	(92)	180	(c)
Total other comprehensive income	302	(102)	200	
Balance as of September 30, 2015	$ (125)	$ 43	$ (82)	
Three months ended September 30, 2014				
Balance as of June 30, 2014	$ (880)	$ 300	$ (580)	
Unrealized holding gain on available-for-sale securities arising during the period				

Reclassify gain included in income				(a, b)
Amortization of held-to-maturity discount resulting from transfer	56	(19)	37	(c)
Total other comprehensive income	56	(19)	37	
Balance as of September 30, 2014	$ (824)	$ 281	$ (543)	
Nine months ended September 30, 2014				
Balance as of December 31, 2013	$ (2,207)	$ 751	$ (1,456)	
Unrealized holding gain on available-for-sale securities arising during the period	1,356	(461)	895	
Reclassify gain included in income	(133)	45	(88)	(a, b)
Amortization of held-to-maturity discount resulting from transfer	160	(54)	106	(c)
Total other comprehensive income	1,383	(470)	913	
Balance as of September 30, 2014	$ (824)	$ 281	$ (543)	

(a) Securities gains
(b) Federal Income Tax Provision
(c) There was no income statement effect from the transfer of securities to held-to-maturity.

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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 management s discussion and analysis focuses on the consolidated financial condition of the Company at September 30, 2015 as compared to December 31, 2014, and the consolidated results of operations for the three and nine month periods ended September 30, 2015 compared to the same periods in 2014. 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 $632 million at September 30, 2015, compared to $621 million at December 31, 2014, representing an increase of $11 million, or 2%. This growth was funded by a $5 million increase in deposits and a $4 million increase in short-term borrowings during the nine month period ended September 30, 2015. Loans and securities increased by $2 million and $13 million respectively, during the nine month period while cash and cash equivalents decreased $4 million, or 9%.

Net loans increased $2 million, or less than 1%, during the nine months ended September 30, 2015. Commercial loans including commercial real estate loans increased $2.5 million, or less than 1%, while construction and land development loans decreased $2.3 million, or 13%. Residential real estate loans increased $346 thousand, or less than 1%, and consumer loans increased 18% from December 31, 2014. Home purchase activity has increased and consumers continued to refinance their mortgage loans for lower long-term rates. Residential mortgage loan originations for the nine months ended September 30, 2015 and 2014 were $23 million. Originations sold into the secondary market were $10 million during the nine month period ended September 30, 2015 as compared to $5 million during the nine months ended September 30, 2014. The Bank originates and sells primarily fixed-rate thirty year mortgages into the secondary market.

The allowance for loan losses as a percentage of total loans was 1.12% at September 30, 2015 as compared to 1.07% at December 31, 2014. Outstanding loan balances increased less than 1% to $413 million at September 30, 2015. A provision of $389 thousand, offset by net charge-offs of $138 thousand, increased the allowance for loan losses for the nine months ended September 30, 2015.

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CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

Nonaccrual loans decreased during third quarter 2015. For the nine months ending September 30, 2015 new loans totaling $217 thousand were placed on nonaccrual status, $167 thousand in charge-offs were recognized, $104 thousand was returned to accrual status and pay downs of $1.8 million were received during the nine month period on loans in nonaccrual status.

(Dollars in thousands)	**September 30, 2015**	**December 31, 2014**	**September 30, 2014**
Non-performing loans	$ 2,018	$ 3,949	$ 4,682
Other real estate			
Allowance for loan losses	4,632	4,381	5,188
Total loans	412,974	410,903	409,908
Allowance: Loans	1.12%	1.07%	1.27%
Allowance: Non-performing loans	2.3x	1.1x	1.1x

The ratio of gross loans to deposits was 82% at September 30, 2015, compared to 82% at December 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 $387 thousand within the available-for-sale and held-to-maturity portfolios as of September 30, 2015, 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 on September 30, 2015, are considered temporary and no impairment loss relating to these securities has been recognized.

Deposits increased $5 million, or 1%, from December 31, 2014 with noninterest bearing deposits increasing $7 million and interest-bearing deposit accounts decreasing $2 million. Total deposits as of September 30, 2015 are $19 million greater than September 30, 2014 deposit balances. On a year over year comparison, increases were recognized in every deposit category except for money market savings accounts and time deposits under $100 thousand.

Short-term borrowings consisting of overnight repurchase agreements with retail customers increased $4 million at September 30, 2015 from December 31, 2014 and other borrowings decreased $1 million as the Company repaid FHLB advances with required monthly amortization.

Total shareholders equity amounted to $60.5 million, or 9.6% of total assets, at September 30, 2015, compared to $57.5 million, or 9.3% of total assets, at December 31, 2014. The increase in shareholders equity during the nine months ending September 30, 2015 was due to net income of $4.4 million and other comprehensive gains of $200 thousand, partially offset by dividends declared of $1.6 million. The Company and the Bank met all regulatory capital requirements at September 30, 2015.

RESULTS OF OPERATIONS

Three months ended September 30, 2015 and 2014

For the quarters ended September 30, 2015 and 2014, the Company recorded net income of $1.6 and $1.5 million and $.57 and $0.55 per share, respectively. The $49 thousand increase in net income for the quarter was primarily the result of a $123 thousand decrease in the provision for loan losses and a $113 thousand increase in revenues. These increases were partially offset by an increase in noninterest expense of $174 thousand. Return on average assets and return on average equity were 0.98% and 10.27%, respectively, for the three month period of 2015, compared to 0.98% and 10.64%, respectively for the same quarter in 2014.

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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 September 30,			
	2015		2014	
(Dollars in thousands)	Average balance	Average rate	Average balance	Average rate
ASSETS				
Interest-earning deposits in other banks	$ 38,994	0.25%	$ 24,552	0.23%
Federal funds sold	1,041	0.23	322	0.21
Taxable securities	126,103	2.15	121,955	2.15
Tax-exempt securities	21,599	3.93	15,919	4.37
Loans	408,069	4.49	407,571	4.53
Total earning assets	595,806	3.69%	570,319	3.83%
Other assets	36,733		37,126	
TOTAL ASSETS	$ 632,539		$ 607,445	
LIABILITIES AND SHAREHOLDERS EQUITY				
Interest-bearing demand deposits	$ 76,679	0.03%	$ 73,076	0.05%
Savings deposits	156,698	0.07	151,507	0.08
Time deposits	125,061	0.75	129,882	0.76
Other borrowed funds	67,892	0.72	68,160	0.86
Total interest bearing liabilities	426,330	0.37%	422,625	0.41%
Non-interest bearing demand deposits	144,076		126,552	
Other liabilities	2,021		2,065	
Shareholders Equity	60,112		56,203	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 632,539		$ 607,445	
Taxable equivalent net interest spread		3.33%		3.42%
Taxable equivalent net interest margin		3.43%		3.53%

Interest income for the quarter ended September 30, 2015, was $5.5 million representing a $27 thousand increase, or less than a 1% improvement, compared to the same period in 2014. This increase was primarily due to average investment volume increasing $10 million for the quarter ended September 30, 2015 as compared to the third quarter

2014. Interest expense for the quarter ended September 30, 2015 was $394 thousand, a decrease of $44 thousand, or 10%, from the same period in 2014. The decrease in interest expense occurred primarily due to a rate decrease of 0.14% on all other borrowings which declined from 0.86% in 2014 to 0.72% for the quarter ended September 30, 2015.

The provision for loan losses for the quarter ended September 30, 2015 was $0, compared to a $123 thousand provision for the same quarter in 2014. 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 September 30, 2015, was $1.1 million, an increase of $42 thousand, or 4%, compared to the same quarter in 2014. The gain on the sale of mortgage loans to the secondary market increased to $114 thousand for the quarter ending September 30, 2015, from $77 thousand in the same quarter in 2014. The gain in 2015 was greater due to an additional volume of loans sold during the third quarter 2015. Service charges on deposit accounts decreased $9 thousand, or 3%, compared to the same quarter in 2014 primarily from decreases in overdraft fees. Debit card interchange income increased $14 thousand, or 6%, with greater fee income. Fees from trust and brokerage services declined $1 thousand to $198 thousand for the third quarter 2015 as compared to the same quarter in 2014.

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CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

Noninterest expenses for the quarter ended September 30, 2015 increased $174 thousand, or 5%, compared to the third quarter of 2014. Salaries and employee benefits increased $99 thousand, or 5%, a result of increases in salary and medical benefits. Professional and director fees increased $41 thousand for the quarter ended September 30, 2015 as compared to third quarter 2014. The majority of this increase relates to legal and collection fees pertaining to one commercial loan customer. Occupancy and equipment expenses decreased $17 thousand in 2015 over the third quarter of 2014. Software expenses increased $21 thousand, or 12%, compared to the third quarter 2014 as a result of discounts received in 2014 on the core system software that have ended in 2015.

Federal income tax expense increased $13 thousand, or 2%, for the quarter ended September 30, 2015 as compared to the second quarter of 2014. The provision for income taxes was $687 thousand (effective rate of 31%) for the quarter ended September 30, 2015, compared to $674 thousand (effective rate of 31%) for the same quarter ended 2014.

RESULTS OF OPERATIONS

Nine months ended September 30, 2015 and 2014

Net income for the nine months ended September 30, 2015, was $4.42 million or $1.61 per share, as compared to $4.45 million or $1.62 per share during the same period in 2014. Return on average assets and return on average equity were 0.94% and 9.95%, respectively, for the nine month period of 2015, compared to 0.99% and 10.81%, respectively for 2014.

Comparative net income decreased as noninterest expenses increased $571 thousand or 5% for the nine month period in 2015 as compared to 2014. The provision for loan losses decreased $69 thousand or 15% during the same comparative period. Net interest income increased to $15.3 million for the nine months ended September 30, 2015, an increase of $317 thousand or 2% from the same period last year. Noninterest income improved $169 thousand to $3.4 million or 5% for the nine month period ending in 2015 as compared to 2014.

Interest income on loans increased $225 thousand, or 2%, for the nine months ended September 30, 2015, as compared to the same period in 2014. This increase was primarily due to an average volume increase of $8 million for the comparable nine month periods. Interest income on securities decreased $78 thousand, or 3%, as the average yield on securities dropped 0.08% to 2.41% on a fully taxable equivalent basis while the volume of securities increased $2 million for the comparable nine month periods. Interest income on fed funds sold and interest bearing deposits increased $35 thousand for the nine months ended September 30, 2015 as the average fed funds sold and due from banks interest bearing balances increased $18 million, compared to the same period in 2014.

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CSB BANCORP, INC.

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

Average Balance Sheet and Net Interest Margin Analysis

	For the nine months ended September 30,			
	2015		2014	
(Dollars in thousands)	Average balance	Average rate	Average balance	Average rate
ASSETS				
Due from banks-interest bearing	$ 28,589	0.26%	$ 11,942	0.25%
Federal funds sold	1,036	0.23	168	0.22
Taxable securities	126,956	2.15	129,640	2.25
Tax-exempt securities	20,330	4.06	15,682	4.46
Loans	413,368	4.51	404,914	4.54
Total earning assets	590,279	3.78%	562,346	3.92%
Other assets	36,466		36,553	
TOTAL ASSETS	$ 626,745		$ 598,899	
LIABILITIES AND SHAREHOLDERS EQUITY				
Interest bearing demand deposits	$ 76,532	0.03%	$ 72,847	0.05%
Savings deposits	157,426	0.07	151,160	0.09
Time deposits	126,304	0.75	130,133	0.77
Other borrowed funds	65,676	0.74	68,435	0.84
Total interest bearing liabilities	425,938	0.37%	422,575	0.42%
Non-interest bearing demand deposits	139,530		119,346	
Other liabilities	1,961		1,990	
Shareholders Equity	59,316		54,988	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 626,745		$ 598,899	
Taxable equivalent net interest spread		3.41%		3.50%
Taxable equivalent net interest margin		3.51%		3.60%

Interest expense decreased $135 thousand to $1.2 million for the nine months ended September 30, 2015, compared to the same period in 2014. Interest expense on deposits decreased $69 thousand, or 8%, from the same period as last year, while interest expense on short-term and other borrowings decreased $66 thousand or 15%. The decrease in interest expense has been caused by lower interest rates being paid across the board on interest-bearing deposit accounts and borrowings. Additionally, during the comparable nine month periods, the Company grew non-interest bearing deposits by $20 million in 2015. Time deposits continue to renew at lower interest rates, and some depositors have moved monies to savings instruments anticipating higher rates than time deposits. Competition for deposits appears to be increasing from a year ago with larger money center banks and community banks increasing rates offered for money market savings accounts. The net interest margin decreased by 9 basis points for the nine month period ended September 30, 2015, to 3.51%, from 3.60% for the same period in 2014. This margin decrease is primarily the result of decreased interest yields and the change in the asset mix to a greater percentage of overnight funds.

The provision for loan losses was $389 thousand during the nine months of 2015, compared to $458 thousand in the same nine month period of 2014. The decrease in the provision for loan losses from a year ago reflected a 59% decrease in nonaccrual loans, a 53% decrease in early stage and greater than ninety day delinquency and a decrease in net loan charge offs of 61%. 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 increased $164 thousand during the nine months ended September 30, 2015, as compared to the same period in 2014. Gain on the sale of investments decreased by $77 thousand for the nine months ended September 30, 2015 as compared to the same period in 2014. Debit card interchange income increased $56 thousand or 8% as a result of increased servicer revenue during the nine months of 2015. Service charges on deposits decreased $21 thousand from the same period in 2014 reflecting a decrease in overdraft fees based on volume.

CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

Increases were recognized in gains on mortgage loans sold in the secondary market on a year over year basis as home purchase activity increased in a low interest environment.

Non-interest expenses increased $571 thousand, or 5%, for the nine months ended September 30, 2015, compared to the same period in 2014. Salaries and employee benefits increased $343 thousand, or 5%, primarily the result of salary and medical benefit increases. Professional fees increased $137 thousand, or 26%, as a one-time expense of $110 thousand was incurred during first quarter 2015 to contract a professional firm to assist the company with assessment of market opportunities and long-term strategic goals. Loan legal and collection fees were $107 thousand for the nine month period ended September 30, 2015 as compared to a $74 thousand recognized for the nine months ended September 30, 2014 as expense recoveries were recognized in 2014. Software expense increased $90 thousand for the nine month period in 2015 as compared to the same period in 2014 reflecting the cost and amortization of the new core system that was installed in fourth quarter 2013. The Bank s telephone expense increased $20 thousand to $216 thousand for the nine months ended 2015 reflecting an increase in assets for the nine months ended September 30, 2015 as compared to 2014. Occupancy and equipment expense decreased $36 thousand, or 3%, reflecting a decrease in small equipment purchases and equipment lease expense when compared to 2014.

The provision for income taxes was $1.9 million (effective rate of 31%) for the nine months ended September 30, 2015, compared to $1.9 million (effective rate of 30%) for the same period in 2014.

CAPITAL RESOURCES

CSB maintained a strong capital position with tangible common equity to tangible assets of 8.81% at September 30, 2015 compared with 8.40% at September 30, 2014.

The Board of Governors of the Federal Reserve System (the Federal Reserve) adopted risk-based capital guidelines on July 2, 2013 for bank holding companies and state member banks, designed to improve the level and quality of capital. CSB became subject to the new capital and risk weighting rules on January 1, 2015 with its first reporting period on March 31, 2015. The quality of capital will be provided by the new measurement of Tier 1 capital called common equity tier 1 or (CET1). Effective with the March 31, 2015 Call Report the Bank selected the opt-out election for accumulated other comprehensive income (AOCI). This election will neutralize the effects of unrealized gains and losses from available-for-sale securities and other elements of the AOCI account for regulatory capital purposes.

Consistent with the Board of Director s commitment to public confidence and safe and sound banking operations, capital targets and minimum risk-based capital ratios for CSB were established to maintain excess capital to well-capitalized standards. To be considered well-capitalized, an institution must have a total risk-based capital ratio of at least 10%, a tier 1 capital ratio of at least 8%, a leverage capital ratio of at least 5%, a CET1 ratio of at least 6.5%, and must not be subject to any order or directive requiring the institution to improve its capital level. An adequately capitalized institution has a total risk-based capital ratio of at least 8%, a tier 1 capital ratio of at least 6%, a CET1 ratio of at least 4.5% and a leverage ratio of at least 4%.

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, 2014. As of September 30, 2015 the Company and the Bank met all capital adequacy requirements to which they were subject.

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CSB BANCORP, INC.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

	Capital Ratios	
	September 30, 2015	December 31, 2014
Common Equity Tier 1 Capital		
Consolidated	12.9%	NA
Bank	12.7%	NA
Tier 1 Capital Ratio		
Consolidated	12.9%	12.5%
Bank	12.7%	12.3%
Total Capital Ratio		
Consolidated	14.0%	13.6%
Bank	13.7%	13.4%
Tier 1 Leverage Ratio		
Consolidated	8.9%	8.5%
Bank	8.7%	8.4%

LIQUIDITY

(Dollars in millions)	September 30, 2015	December 31, 2014	Change
Cash and cash equivalents	$ 40	$ 44	$ (4)
Unused lines of credit	52	46	6
Unpledged AFS securities at fair market value	58	48	10
	$ 150	$ 138	$ 12
Net deposits and short-term liabilities	$ 500	$ 497	$ 3
Liquidity ratio	30.2 %	27.9 %	2.3
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 was 30.2% and 27.9% at September 30, 2015 and December 31, 2014.

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 September 30, 2015, from the disclosures presented in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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 increments, in market interest rates at September 30, 2015 and December 31, 2014. 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) **Change in Interest Rates (basis points)**	**Net Interest Income**	**Dollar Change**	**Percentage Change**	**Board Policy Limits**
	September 30, 2015			
+400	$ 21,836	$ 1,506	7.4%	+/-25%
+300	21,439	1,109	5.5	+/-15
+200	21,028	698	3.4	+/-10
+100	20,650	320	1.6	+/-5
0	20,330			
-100	20,024	(306)	(1.5)	+/-5
	December 31, 2014			
+400	$ 21,408	$ 1,144	5.6%	+/-25%
+300	21,082	818	4.0	+/-15
+200	20,766	502	2.5	+/-10
+100	20,454	190	0.9	+/-5
0	20,264			
-100	20,022	(242)	(1.1)	+/-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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CSB BANCORP, INC.

FORM 10-Q

Quarter ended September 30, 2015

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, 2014.

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 repurchases were made during the quarterly period ended September 30, 2015.

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 September 30, 2015

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 September 30, 2015 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: November 13, 2015	/s/ Eddie L. Steiner Eddie L. Steiner President Chief Executive Officer
Date: November 13, 2015	/s/ Paula J. Meiler Paula J. Meiler Senior Vice President Chief Financial Officer

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CSB BANCORP, INC.

INDEX TO 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 September 30, 2015 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.