

CSB BANCORP INC /OH
Form 10-K
March 07, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

(Mark one)

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

**Commission File No. 0-21714
CSB BANCORP, INC.**

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

34-1687530
(I.R.S. Employer Identification No.)

91 North Clay Street, Millersburg,
Ohio

44654

(Address of principal executive
offices)

(Zip code)

Registrant's telephone number, including area code (330) 674-9015

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Common Shares, \$6.25 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

At June 30, 2007, the aggregate market value of the voting stock held by non-affiliates of the registrant, based on a share price of \$17.75 per share (such price being the last trade price on such date) was \$40.6 million.

At March 5, 2008, there were outstanding 2,440,850 of the registrant's Common Shares, \$6.25 par value.

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Portions of Registrant's 2007 Annual Report to Shareholders.
Portions of Registrant's Proxy Statement dated March 21, 2007.

PART I

Available Information

Our website address is www.csb1.com. We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports available free of charge on our website as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (the SEC). We also make available through our website, other reports filed with the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of that Act, as well as our Code of Ethics. We do not intend for information contained in our website to be part of this Annual Report on Form 10-K.

In addition, the public may read and copy any materials we filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington DC 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet site that contains reports, proxy and information statements and other information at www.sec.gov.

ITEM 1. BUSINESS.

General

CSB Bancorp, Inc. (the Company), is a registered financial holding company under the Bank Holding Company Act of 1956, as amended, and was incorporated under the laws of the State of Ohio in 1991. The Commercial and Savings Bank (the Bank), an Ohio banking corporation chartered in 1879, is a wholly owned subsidiary of the Company. The Bank is a member of the Federal Reserve system, and its deposits are insured up to the maximum provided by law by the Federal Deposit Insurance Corporation. The primary regulators of the Bank are the Federal Reserve Board and the Ohio Division of Financial Institutions.

The Bank provides retail and commercial banking services to its customers, including checking and savings accounts, time deposits, IRAs, safe deposit facilities, personal loans, commercial loans, real estate mortgage loans, installment loans, night depository facilities, brokerage and trust services.

The Bank grants residential real estate, commercial real estate, consumer and commercial loans to customers located primarily in Holmes County and portions of surrounding counties in Ohio. The general economic conditions in the Company's market area have been sound. Unemployment statistics have generally been among the lowest in the state of Ohio, and the area has experienced stable to slightly lower real estate values, a result of the inventory of homes available for sale remaining at moderate levels.

Certain risks are involved in granting loans, primarily related to the borrowers' ability and willingness to repay the debt. Before the Bank extends a new loan or renews an existing loan to a customer, these risks are assessed through a review of the borrower's past and current credit history, collateral being used to secure the transaction, borrower's character, and other factors. For all commercial loan relationships greater than \$275,000, the Bank's internal credit department performs an annual risk rating review. In addition to this review, an independent outside loan review firm is engaged to review all watch list and adversely classified credits, commercial loan relationships greater than \$750,000, a sample of commercial loan relationships less than \$750,000, loans within an industry concentration and a sample of consumer/mortgage loans. In addition, any loan identified as a problem credit by management and/or the external loan review consultants is assigned to the Bank's loan watch list, and is subject to ongoing review by the Bank's credit department and the assigned loan officer to ensure appropriate action is taken when deterioration has occurred.

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Commercial loan rates are variable as well as fixed, and include operating lines of credit and term loans made to small businesses primarily based on their ability to repay the loan from the cash flow of the business. Business assets such as equipment, accounts receivable, and inventory typically secure such loans. When the borrower is not an individual, the Bank generally obtains the personal guarantee of the business owner. As compared to consumer lending, which includes single-family residences, personal installment loans and automobile loans, commercial lending entails significant additional risks. These loans typically involve larger loan balances, are generally dependent on the cash flow of the business, and thus may be subject to a greater extent to adverse conditions in the general economy or in a specific industry. Management reviews the borrower's cash flows when deciding whether to grant the credit, to evaluate whether estimated future cash flows will be adequate to service principal and interest of the new obligation in addition to existing obligations.

Commercial real estate loans are primarily secured by borrower-occupied business real estate and are dependent on the ability of the related business to generate adequate cash flow to service the debt. Commercial real estate loans are generally originated with a loan-to-value ratio of 80% or less. Commercial construction loans are secured by commercial real estate and in most cases the bank also provides the permanent financing. Advances are monitored by the Bank and the maximum loan to value is typically limited to the lesser of 90% of cost or 80% of appraisal. Management performs much the same analysis when deciding whether to grant a commercial real estate loan as when deciding whether to grant a commercial loan.

Residential real estate loans carry both fixed and variable rates and are secured by the borrower's residence. Such loans are made based on the borrower's ability to make repayment from employment and other income. Management assesses the borrower's ability and willingness to repay the debt through review of credit history and ratings, verification of employment and other income, review of debt-to-income ratios and other measures of repayment ability. The Bank generally makes these loans in amounts of 85% or less of the value of collateral or up to 100% with PMI. An appraisal from a qualified real estate appraiser or an evaluation based on tax value is obtained for substantially all loans secured by real estate. Residential construction loans are secured by residential real estate that generally will be occupied by the borrower on completion. The Bank usually makes the permanent loan at the end of the construction phase. Construction loans also are made in amounts of 85% or less of the value of the collateral. Home equity lines of credit are made to individuals and are secured by second or first mortgages on the borrower's residence. Loans are based on similar credit and appraisal criteria used for residential real estate loans; however, loans up to 100% of the value of the property may be approved for borrowers with excellent credit histories. These loans typically bear interest at variable rates and require certain minimum monthly payments.

Installment loans to individuals include loans secured by automobiles and other consumer assets, including second mortgages on personal residences. Consumer loans for the purchase of new automobiles generally do not exceed 100% of the purchase price of the automobile. Loans for used automobiles generally do not exceed average wholesale or trade-in values as stipulated in a recent auto-industry used-car price guide. Credit card and overdraft protection loans are unsecured personal lines of credit to individuals of demonstrated good credit character with reasonably assured sources of income and satisfactory credit histories. Consumer loans generally involve more risk than residential mortgage loans because of the type and nature of collateral and, in certain types of consumer loans, absence of collateral. Since these loans are generally repaid from ordinary income of the individual or family unit, repayment may be adversely affected by job loss, divorce, ill health or by general decline in economic conditions. The Bank assesses the borrower's ability and willingness to make repayment through a review of credit history, credit ratings, debt-to-income ratios and other measures of repayment ability.

While the Company's chief decision-makers monitor the revenue streams of the various Company products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment.

Employees

At December 31, 2007, the Company had 133 employees, 107 of which were employed on a full-time basis. The Company has no separate employees not also employed by the Bank. No employees are covered by collective bargaining agreements. Management considers its employee relations to be good.

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Competition

The Bank operates in a highly competitive industry due, in part, to Ohio law permitting statewide branching by banks, savings and loan associations and credit unions. Ohio law also permits nationwide interstate banking on a reciprocal basis. In its primary market area of Holmes and surrounding counties, the Bank competes for new deposit dollars and loans with several other commercial banks, both large regional banks and smaller community banks, as well as savings and loan associations, credit unions, finance companies, insurance companies, brokerage firms and investment companies. The ability to generate earnings is impacted, in part, by competitive pricing on loans and deposits and by changes in the rates on various U.S. Treasury and State and political subdivision issues which comprise a significant portion of the Bank's investment portfolio, and which rates are used as indices on several loan products. The Bank believes its presence in the Holmes County area provides the Bank with a competitive advantage due to its large asset base and ability to make loans and provide services to the local community.

On November 12, 1999, President Clinton signed into law the Gramm-Leach-Bliley Act of 1999 (Gramm-Leach) that permits bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Gramm-Leach may significantly change the competitive environment in which the Company conducts business. See Financial Modernization for further discussion.

Supervision and Regulation

The Bank is subject to supervision, regulation and periodic examination by the Federal Reserve Board and the State of Ohio Division of Financial Institutions. Because the Federal Deposit Insurance Corporation insures its deposits, the Bank is also subject to certain regulations of that federal agency. As a financial holding company, the Company is subject to supervision, regulation and periodic examination by the Federal Reserve Board. The earnings of the Company and the Bank are affected by state and federal laws and regulations, and by policies of various regulatory authorities. These policies include, for example, statutory maximum lending rates, requirements on maintenance of reserves against deposits, domestic monetary policies of the Board of Governors of the Federal Reserve System, United States fiscal policy, international currency regulations and monetary policies, certain restrictions on banks relationships with many phases of the securities business and capital adequacy and liquidity restraints.

Financial Modernization

Pursuant to Gramm-Leach, a bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized under regulatory prompt corrective action provisions, is well managed, and has at least a satisfactory rating under the Community Reinvestment Act (CRA) by filing a declaration that the bank holding company wishes to become a financial holding company. No prior regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. Gramm-Leach defines financial in nature to include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Board has determined to be closely related to banking. Subsidiary banks of a financial holding company must continue to be well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions, which could include divestiture of the financial in nature subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has CRA rating of satisfactory or better.

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On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002, which contains important requirements for public companies in the area of financial disclosure and corporate governance. In accordance with section 302(a) of the Sarbanes-Oxley Act, written certifications by the Company's Chief Executive Officer and Chief Financial Officer are required. These certifications attest that the Company's quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact or omit to state a material fact. The Company has also implemented a program designed to comply with Section 404 of the Sarbanes-Oxley Act, which includes the identification of significant processes and accounts, documentation of the design of control effectiveness over process and entity level controls, and testing of the operating effectiveness of key controls. On February 1, 2008, the Securities and Exchange Commission announced a proposed further delay for Section 404(b) compliance for non-accelerated filers, including the Company, relating to the attestation by the external accountants. Under the proposal Section 404(b) would be required to be implemented by the Company for the year ended December 31, 2009. Management's assessment on internal controls over financial reporting is incorporated by reference on Page 24 of the annual report.

Item 1A. Risk Factors.

Investments in CSB Bancorp Inc. stock involve risk.

The market price of the Company's common stock may fluctuate significantly in response to a number of factors, including:

Changes in interest rates

New developments in the banking industry

Regulatory actions

Credit risk

Economy

Thinly traded stock

Changes in interest rates

CSB's earnings and financial condition are dependent to a large degree upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. Market interest rates are largely beyond the Company's control, and they fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Changes in interest rates, will influence the origination of loans, the purchase of investments and the level of prepayments on our loans and the receipt of payments on our mortgage-backed securities resulting in reduced income and cash flow.

New developments in the banking industry

CSB will need to adjust to competition in both originating loans and attracting deposits. Competition in the financial services industry is intense as we compete with securities dealers, finance and insurance companies, mortgage brokers and investment advisors. As a result of their size and ability to achieve economies of scale, certain of our competitors offer a broader range of products and services than we offer. Our ability to obtain our financial objectives will depend on our ability to deliver or expand product delivery systems and changes in technology required by our customers.

Regulatory actions

The Company and its wholly owned subsidiary The Commercial and Savings Bank are subject to extensive state and federal regulation, supervision and legislation that govern nearly every aspect of its operations. Changes to these laws could affect the Company's ability to deliver or expand its services and diminish the value of its business.

Credit Risk

Credit Risk is the risk of losing principal and interest income because borrowers fail to repay loans. Our earnings may be negatively impacted if we fail to manage credit risk, as the origination of loans is an integral part of our business. Factors which may affect the ability of borrowers to repay loans would include a downturn in the local economy that

we operate in, a downturn in one or more business sectors in which our customers operate or a rapid increase in interest rates.

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Downturns in the local economy in which we operate in may adversely affect our business. Our loan portfolio is concentrated primarily in Holmes, Wayne and Tuscarawas counties in Ohio. Our profits depend on providing products and services to customers in these areas. A decline in real estate values, a prolonged flatness of the interest rate curve or increases in unemployment could depress our earnings. Weakness in our market area could result from a decline in tourism resulting in the value of collateral securing our loans declining while borrowers may not be able to repay their loans.

Thinly traded stock

CSB common stock is very thinly traded, and it is therefore susceptible to price swings. However, CSB common stock is traded on the Over the Counter Bulletin Board under the symbol CSBB.ob . We list three brokers within the back cover of our annual report to shareholders who facilitate trades. The stock is not actively followed by the investment community and the price may be negatively impacted any time there are more sellers than buyers.

Item 1B. Unresolved Staff Comments.

None.

Statistical Disclosures

The following schedules present, for the periods indicated, certain financial and statistical information of the Company as required under the Securities and Exchange Commission's Industry Guide 3, or a specific reference as to the location of required disclosures in the Company's 2007 Annual Report to Shareholders (the Annual Report).

I. Distribution of Assets, Liabilities and Stockholders Equity; Interest Rates and Interest Differential

A&B. Average Balance Sheet and Related Analysis of Net Interest Earnings: The information set forth under the heading Average Balances, Rates and Yields which is incorporated by reference pursuant to Part II, Item 7 of this document, is incorporated herein by reference.

C. Dollar Amount of Change in Interest Income and Interest Expense: The information set forth under the heading Rate/Volume Analysis of Changes in Income and Expense which is incorporated by reference pursuant to Part II, Item 7 of this document, is incorporated herein by reference.

II. Investment Portfolio

A. The following is a schedule of the carrying value of securities at December 31, 2007, 2006 and 2005.

(In thousands of dollars)	2007	2006	2005
Securities available-for-sale, at fair value			
U.S. Treasury securities	\$ 102	\$ 100	\$ 99
U.S. Government corporations and agencies	25,509	32,917	42,230
Mortgage-backed securities	42,365	28,048	27,006
Obligations of states and political subdivisions	3,159	5,769	8,633
Equity securities	285	301	305
Total	\$71,420	\$67,135	\$78,273

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B. The following is a schedule of maturities for each category of debt securities and the related weighted average yield of such securities as of December 31, 2007:

	(In thousands of dollars)									
	One Year or Less		After One Year		Maturing		After Ten Years		Total	
	Amortized	Yield	Amortized	Yield	Amortized	Yield	Amortized	Yield	Amortized	Yield
Available for sale:										
U.S. Treasury			\$ 100	4.88%					\$ 100	4.88%
U.S. Government corporations and agencies	\$2,000	5.00%	\$23,499	4.20					25,499	4.26
Mortgage-backed securities	44	5.39	579	5.39	\$3,132	4.31%	\$38,928	5.61%	42,683	5.51
Obligations of states and political subdivisions	1,536	7.47	1,562	6.71					3,098	7.09
Total	\$3,580	6.06%	\$25,740	4.38%	\$3,132	4.31%	\$38,928	5.61%	\$71,380	5.13%

The weighted average yields are calculated using amortized cost of investments and are based on coupon rates for securities purchased at par value, and on effective interest rates considering amortization or accretion if securities were purchased at a premium or discount. The weighted average yield on tax-exempt obligations is presented on a tax-equivalent basis based on the Company's marginal federal income tax rate of 34%.

C. Excluding holdings of U.S. Treasury securities and other agencies and corporations of the U.S. Government, there were no investments in securities of any one issuer that exceeded 10% of the Company's consolidated shareholders equity at December 31, 2007.

III. Loan Portfolio

A. Types of Loans Total loans on the balance sheet are comprised of the following classifications at December 31:

(In thousands of dollars)	2007	2006	2005	2004	2003
Commercial	\$ 46,000	\$ 55,513	\$ 69,922	\$ 77,231	\$ 73,559
Commercial real estate	97,985	72,707	52,661	43,744	49,160
Residential real estate	92,085	85,933	78,722	78,862	72,944
Construction	11,701	7,735	2,120	8,034	5,503
Installment and credit card	8,862	10,510	11,539	10,273	12,251
Total loans	\$256,633	\$232,398	\$214,964	\$218,144	\$213,417

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B. Maturities and Sensitivities of Loans to Changes in Interest Rates The following is a schedule of maturities of loans based on contract terms and assuming no amortization or prepayments, excluding real estate mortgage and installment loans, as of December 31, 2007:

(In thousands of dollars)	Maturing			Total
	One Year or Less	One Through Five Years	After Five Years	
Commercial	\$27,277	\$12,748	\$ 5,975	\$ 46,000
Commercial real estate	10,897	6,285	80,803	97,985
Construction	4,300	1,746	5,655	11,701
Total	\$42,474	\$20,779	\$92,433	\$155,686

The following is a schedule of fixed rate and variable rate commercial, commercial real estate and real estate construction loans due after one year from December 31, 2007.

(In thousands of dollars)	Fixed Rate	Variable Rate
Total commercial, commercial real estate and construction loans due after one year	\$16,170	\$97,042

C. Risk Elements

1. Nonaccrual, Past Due and Restructured Loans The following schedule summarizes nonaccrual, past due and restructured loans.

(In thousands of dollars)	2007	2006	2005	2004	2003
(a) Loans accounted for on a nonaccrual basis	\$427	\$1,509	\$633	\$1,552	\$1,170
(b) Accruing loans that are contractually past due 90 days or more as to interest or principal payments	144		168	119	175
Totals	\$571	\$1,509	\$801	\$1,671	\$1,345

The policy for placing loans on nonaccrual status is to cease accruing interest on loans when management believes that collection of interest is doubtful, when commercial loans are past due as to principal and interest 90 days or more or when mortgage loans are past due as to principal and interest 120 days or more, except that in certain circumstances interest accruals are continued on loans deemed by management to be well-secured and in process of collection. In such cases, loans are individually evaluated in order to determine whether to continue income recognition after 90 days beyond the due date. When loans are placed on nonaccrual, any accrued interest is charged against interest income. Consumer loans are not placed on nonaccrual but are charged-off after 90 days past due.

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Impaired Loans Information regarding impaired loans at December 31 is as follows:

(In thousands of dollars)	2007	2006	2005
Balance of impaired loans at December 31	\$ 198	\$ 988	\$ 565
Less portion for which no allowance for loan loss is allocated			62
Portion of impaired loan balance for which an allowance for loan losses is allocated	198	988	503
Portion of allowance for loan losses allocated to the impaired loan balance at December 31	43	327	174

For the year ended December 31, 2007, interest income recognized on impaired loans amounted to \$25,876, while \$61,042 would have been recognized had the loans been performing under their contractual terms. For the year ended December 31, 2006, interest income recognized on impaired loans amounted to \$25,717, while \$58,905 would have been recognized had the loans been performing under their contractual terms. For the year ended December 31, 2005, interest income recognized on impaired loans amounted to \$2,764 while \$39,168 would have been recognized had the loans been performing under their contractual terms.

Impaired loans are comprised of commercial and commercial real estate loans, and are carried at the present value of expected cash flows discounted at the loan's effective interest rate or at fair value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans.

Smaller-balance homogeneous loans are evaluated for impairment in total. Such loans include residential first-mortgage loans secured by one- to four-family residences, residential construction loans, and automobile, home equity and second-mortgage loans less than \$100,000. Such loans are included in nonaccrual and past due disclosures in (a) and (b) above, but not in the impaired loan totals. Commercial loans and mortgage loans secured by other properties are evaluated individually for impairment. When analysis of borrower operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Impaired loans, or portions thereof, are charged-off when deemed uncollectible.

2. Potential Problem Loans At December 31, 2007, no loans were identified that management has serious doubts about the borrowers' ability to comply with present loan repayment terms that are not included in item III.C.1. On a monthly basis, the Company internally classifies certain loans based on various factors. At December 31, 2007, these amounts, including impaired and nonperforming loans, amounted to \$4.7 million of substandard loans and \$0 doubtful loans.

3. Foreign Outstandings There were no foreign outstandings during any period presented.

4. Loan Concentrations As of December 31, 2007, there are no concentrations of loans greater than 10% of total loans that are not otherwise disclosed as a category of loans in Item III.A above.

D. Other Interest-Bearing Assets As of December 31, 2007, there are no other interest-bearing assets required to be disclosed under Item III.C.1 or 2 if such assets were loans.

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A. The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios for the years ended December 31:

(In thousands of dollars)	2007	2006	2005	2004	2003
LOANS					
Average loans outstanding during period	\$241,979	\$225,445	\$220,655	\$216,864	\$209,231
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of period	\$ 2,607	\$ 2,445	\$ 2,575	\$ 2,459	\$ 2,701
Loans charged-off:					
Commercial	(146)	(9)	(16)	(95)	(56)
Commercial real estate	(333)	(123)	(442)	0	(97)
Residential real estate	(34)	(74)	(16)	(275)	(70)
Installment and credit card	(100)	(104)	(102)	(64)	(115)
Total loans charged-off	(613)	(310)	(576)	(434)	(338)
Recoveries of loans previously charged-off:					
Commercial	43	20	63	61	7
Commercial real estate	0	80	2	0	0
Residential real estate	9	3	33	23	70
Installment	68	67	67	43	70
Total loan recoveries	120	170	163	127	147
Net loans charged-off	(493)	(140)	(413)	(307)	(191)
Provision charged to operating expense	472	302	283	423	(51)
Balance at end of period	\$ 2,586	\$ 2,607	\$ 2,445	\$ 2,575	\$ 2,459
Ratio of net charge-offs to average loans outstanding for period	.20%	.06%	.19%	.14%	.09%

The allowance for loan losses balance and provision charged to expense are determined by management based on periodic reviews of the loan portfolio, past loan loss experience, economic conditions and various other circumstances subject to change over time. In making this judgment, management reviews selected large loans, as well as impaired loans, other delinquent, nonaccrual and problem loans and loans to industries experiencing economic difficulties. The collectibility of these loans is evaluated after considering current operating results and financial position of the borrower, estimated market value of collateral, guarantees and the Company's collateral position versus other creditors. Judgments, which are necessarily subjective, as to the probability of loss and amount of such loss are formed on these loans, as well as other loans taken together.

B. The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and related ratios. While management's periodic analysis of the adequacy of the allowance for loan losses may allocate portions of the allowance for specific problem-loan situations, the entire allowance is available for any loan charge-offs that occur.

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Allocation of the Allowance for Loan Losses
(In thousands of dollars)

	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	Percentage of Loans in Each Category	
Allowance	to	Allowance	to	Allowance	to	Allowance	to	Allowance	to	Allowance	to
Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total
December 31, 2007	Loans	December 31, 2006	Loans	December 31, 2005	Loans	December 31, 2004	Loans	December 31, 2003	Loans	December 31, 2003	Loans
Commercial	\$ 454	17.93%	\$ 967	23.89%	\$ 936	32.52%	\$1,256	35.41%	\$ 741	34.47%	
Commercial real estate	1,012	38.18	1,041	31.28	763	24.50	765	20.05	759	23.03	
Residential real estate	666	35.88	379	36.98	278	36.62	261	36.15	768	34.18	
Construction	104	4.56	22	3.33	4	.99	18	3.68	30	2.58	
Installment and credit card	96	3.45	32	4.52	36	5.37	22	4.71	70	5.74	
Unallocated	254		166		428		253		91		
Total	\$2,586	100.00%	\$2,607	100.00%	\$2,445	100.00%	\$2,575	100.00%	\$2,459	100.00%	

Table of Contents**V. Deposits**

A. & B. The following is a schedule of average deposit amounts and average rates paid on each category for the periods indicated:

	Average Amounts Outstanding Year ended December 31			Average Rate Paid Year ended December 31		
	2007	2006	2005	2007	2006	2005
(In thousands of dollars)						
Noninterest-bearing demand	\$ 41,740	\$ 38,938	\$ 37,855	N/A	N/A	N/A
Interest-bearing demand deposits	45,606	46,096	49,021	.56%	.50%	.39%
Savings deposits	41,123	41,528	44,759	1.24	.99	.80
Time deposits	124,752	120,981	117,373	4.48	3.95	3.05
Total deposits	\$253,221	\$247,543	\$249,008			

C. There were no foreign deposits in any period presented.

D. The following is a schedule of maturities of time certificates of deposit in amounts of \$100,000 or more as of December 31, 2007:

(In thousands of dollars)	
Three months or less	\$ 17,881
Over three through six months	4,935
Over six through twelve months	7,713
Over twelve months	3,753
Total	\$ 34,282

E. There were no foreign deposits in any period presented.

VI. Return On Equity and Assets

	2007	2006	2005
Return on average assets	1.07%	0.97%	0.91%
Return on average shareholders equity	9.82	8.95	7.92
Dividend payout ratio	50.70	51.89	51.47
Average shareholders equity to average assets	10.91	10.87	11.46

Table of Contents**VII. Short-Term Borrowings**

Short-term borrowings consist of securities sold under agreements to repurchase, short-term advances through Federal Home Loan Bank and federal funds purchased. Securities sold under agreements to repurchase generally mature one (1) day from the transaction date. Federal funds purchased generally have overnight terms. Information concerning short-term borrowings is summarized as follows:

(In thousands of dollars)	2007	2006	2005
Securities sold under agreements to repurchase, federal funds purchased and short-term advances at period-end	\$27,305	\$28,022	\$21,418
Weighted average interest rate at period-end	3.49%	3.71%	1.54%
Maximum outstanding at any month-end during the year	34,371	41,468	29,467
Average amount outstanding	29,950	32,974	20,243
Weighted average rates during the year	3.96%	3.84%	1.64%

Table of Contents**ITEM 2. PROPERTIES.**

The Company operates ten banking centers and two other properties as noted below:

Location	Banking Center	Other Property	Address	Owned	Leased
Millersburg		X	6 West Jackson Street, Millersburg, Ohio 44654	X	
Walnut Creek	X		4980 Old Pump Street, Walnut Creek, Ohio 44687	X	
Winesburg	X		2225 U.S. 62, Winesburg, Ohio 44690	X	
Sugarcreek	X		127 South Broadway, Sugarcreek, Ohio 44681	X	
Charm	X		4440 C.R.70, Charm, Ohio 44617		X
Clinton Commons	X		2102 Glen Drive, Millersburg, Ohio 44654		X
Berlin	X		4587 S.R.39 Suite B, Berlin, Ohio 44610		X
South Clay	X		91 South Clay Street, Millersburg, Ohio 44654	X	
Shreve	X		333 West South Street, Shreve, Ohio 44676	X	
Orrville	X		461 Wadsworth Road, Orrville, Ohio 44667		X
Operations Center	X		91 North Clay Street, Millersburg, Ohio 44654	X	
Wooster Trust		X	146 East Liberty Street, Wooster, Ohio 44691		X

The Bank considers its physical properties to be in good operating condition and suitable for the purposes for which they are being used. All properties owned by the Bank are unencumbered by any mortgage or security interest and in management's opinion, are adequately insured.

ITEM 3. LEGAL PROCEEDINGS.

There is no pending litigation, other than routine litigation incidental to the business of the Company and Bank, or of a material nature involving or naming the Company or Bank as a defendant. Further, there are no material legal proceedings in which any director, executive officer, principal shareholder or affiliate of the Company is a party or has a material interest that is adverse to the Company or Bank. None of the routine litigation in which the Company or Bank is involved is expected to have a material adverse impact on the financial position or results of operations of the Company or Bank.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders during the fourth quarter of 2007.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

Information contained in the section captioned "Common Stock and Shareholder Information" on page 23 of the Annual Report is incorporated herein by reference.

Equity Compensation Plan Information

	Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	40,840	17.61	159,160
Equity compensation plans not approved by stockholders	10,000	17.75	0
Total	50,840	17.64	159,160

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plan
October 1, 2007 to October 31, 2007		\$ 0.00		82,367
November 1, 2007 to November 30, 2007	9,932.0000	\$ 16.00	9,932.0000	72,435
December 1, 2007 to December 31, 2007	5,324.0000	\$ 17.17	5,324.0000	67,111

On July 7, 2005 CSB Bancorp, Inc. filed Form 8-k with the Securities and Exchange Commission announcing that its Board of Directors approved a Stock Repurchase Program authorizing the repurchase of up to 10% of the Company's common shares then outstanding. Repurchases will be made from time to time as market and business conditions warrant, in the open market, through block purchases and in negotiated private transactions.

Table of Contents**PERFORMANCE GRAPH**

The following graph compares the yearly stock change and the cumulative total shareholder return on CSB's Common Shares during the five-year period ended December 31, 2007, with the cumulative total return on the NASDAQ Bank Stock Index and the Standard and Poor's 500 Stock Index. The comparison assumes \$100 was invested on December 31, 2002 in CSB's Common Shares and in each of the indicated indices and assumes reinvestment of dividends.

	2002	2003	2004	2005	2006	2007
CSBB	\$100.00	\$108.92	\$134.00	\$142.01	\$132.69	\$129.14
S & P 500	100.00	126.38	137.75	141.88	161.20	166.89
NASDAQ Bank	100.00	129.93	144.21	137.97	153.15	119.35

ITEM 6. SELECTED FINANCIAL DATA.

Information contained in the section captioned "Selected Financial Data" on page 11 of the Annual Report is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Information contained in the section captioned "2007 Financial Review" on pages 10 through 23 of the Annual Report is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Information contained in the section captioned "Quantitative and Qualitative Disclosures About Market Risk" on pages 19-20 of the Annual Report is incorporated herein by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information contained in the consolidated financial statements and related notes and the Report of Independent Registered Public Accounting Firm thereon, on pages 24 through 48 of the Annual Report is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation Of Disclosure Controls And Procedures

With the participation of the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) was performed, as of the end of the period covered by this Annual Report. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Securities Exchange Act of 1934 and the SEC rules there under.

Management's Report on Internal Control Over Financial Reporting

Management's Assessment of Internal Control Over Financial Reporting is contained in the consolidated financial statements and related notes on page 24 of the Annual Report and is incorporated herein by reference. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this filing.

Changes In Internal Control Over Financial Reporting

There have been no significant changes during the quarter ended December 31, 2007, in the Company's internal controls over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) or in other factors that could have significantly affected those controls subsequent to the date of our most recent evaluation of internal controls over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 9B. OTHER INFORMATION.

None

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information contained in the section captioned ELECTION OF DIRECTORS on pages 6 and 7; DIRECTORS AND EXECUTIVE OFFICERS page 8; MEMBERSHIP AND MEETINGS OF THE BOARD AND ITS COMMITTEES page 9; COMMITTEES OF THE BOARD OF DIRECTORS on pages 10 and 11; of the Company's proxy statement for the Company's Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission on or about March 21, 2008 (the Proxy Statement) and information contained in the section captioned SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE on page 5 of the Proxy Statement is incorporated herein by reference.

Code of Ethics

We have adopted a Code of Ethics that applies to our senior financial officers including our Chief Executive Officer and Chief Financial Officer. We have posted our Code of Ethics on our website at www.csb1.com. We plan to satisfy SEC disclosure requirements regarding any amendments to, or waiver of, the Code of Ethics relating to our Chief Executive Officer or Chief Financial Officer, and persons performing similar functions, by posting such information on our website or by making any necessary filings with the SEC. Any person may receive a copy of our Code of Ethics free of charge upon request.

ITEM 11. EXECUTIVE COMPENSATION.

Information contained in the section captioned COMPENSATION DISCUSSION AND ANALYSIS on pages 12 through 14 of the Proxy Statement, the section captioned EXECUTIVE COMPENSATION AND OTHER INFORMATION on pages 16 and 17 of the Proxy Statement, the section captioned EMPLOYMENT CONTRACTS AND OTHER ARRANGEMENTS on page 19 of the Proxy Statement, and the section captioned POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL on page 18 of the Proxy Statement, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information contained in the section captioned SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT on pages 4 and 5 of the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information contained in the section captioned CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS on page 22 of the Proxy Statement is incorporated herein by reference. There were no relationships where transactions exceeded \$120,000 for the year ended December 31, 2007.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information contained in the section captioned INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES on page 21 of the Proxy Statement is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

Exhibit Number	Description of Document
3.1	Amended Articles of Incorporation of CSB Bancorp, Inc. (incorporated by reference to Registrant's 1994 Form 10-KSB)
3.1.1	Amended form of Article Fourth of Amended Articles of Incorporation, as effective April 9, 1998 (incorporated by reference to Registrant's 1998 Form 10-K)
3.2	Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB)
4	Form of Certificate of Common Shares of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB)
10.1	Leases for the Clinton Commons, Berlin and Charm Branch Offices of The Commercial and Savings Bank (incorporated by reference to Registrant's Form 10-SB)
10.3	Employment Agreement between CSB Bancorp, Inc. and John J. Limbert (incorporated by reference to Registrant's Form 8-K filed May 22, 2003)
13	CSB Bancorp, Inc. 2007 Annual Report to Shareholders
21	Subsidiaries of CSB Bancorp, Inc.
23.1	Consent of S.R. Snodgrass A.C.
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer
32.2	Section 906 Certification of Chief Financial Officer

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

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

Date: March 5, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 5, 2008.

Signatures	Title
/s/ Eddie L. Steiner Eddie L. Steiner	President and Chief Executive Officer
/s/ Paula J. Meiler Paula J. Meiler	Senior Vice President and Chief Financial Officer
/s/ Pamela S. Basinger Pamela S. Basinger	Vice President and Principal Accounting Officer
/s/ Robert K. Baker Robert K. Baker	Director
/s/ Ronald E. Holtman Ronald E. Holtman	Director
/s/ J. Thomas Lang J. Thomas Lang	Director
/s/ Daniel J. Miller Daniel J. Miller	Director
/s/ Jeffery A. Robb, Sr. Jeffery A. Robb, Sr.	Director
	Director

Samuel M. Steimel

/s/ John R. Waltman

Director

John R. Waltman

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INDEX TO EXHIBITS

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3.2	Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB).	N/A
4	Form of Certificate of Common Shares of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB).	N/A
10.1	Leases for the Clinton Commons, Berlin and Charm Branch Offices of The Commercial and Savings Bank (incorporated by reference to Registrant's Form 10-SB).	N/A
10.3	Employment Agreement between CSB Bancorp, Inc. and John J. Limbert (incorporated by reference to Registrant's Form 8-K filed May 22, 2003)	N/A
13	CSB Bancorp, Inc. 2007 Annual Report to Shareholders	N/A
21	Subsidiaries of CSB Bancorp, Inc.	N/A
23.1	Consent of S.R. Snodgrass A.C.	N/A
31.1	Section 302 Certification of Chief Executive Officer	N/A
31.2	Section 302 Certification of Chief Financial Officer	N/A
32.1	Section 906 Certification of Chief Executive Officer	N/A
32.2	Section 906 Certification of Chief Financial Officer	N/A