

CSB BANCORP INC /OH  
Form 10-Q  
August 13, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended: June 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**  
**(State or other jurisdiction of**  
**incorporation or organization)**  
**34-1687530**  
**(I.R.S. Employer**  
**Identification Number)**  
**91 North Clay, P.O. Box 232, Millersburg, Ohio 44654**  
**(Address of principal executive offices)**  
**(330) 674-9015**  
**(Registrant's telephone number)**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

Indicate the number of shares outstanding of the registrant's common stock, as of the latest practicable date.

Common stock, \$6.25 par value  
Outstanding at August 1, 2015:  
2,739,405 common shares

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CSB BANCORP, INC.

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QUARTER ENDED June 30, 2015

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## CSB BANCORP, INC.

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(Dollars in thousands)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 15,244	\$ 15,310
Interest-earning deposits in other banks	23,672	28,613
<b>Total cash and cash equivalents</b>	<b>38,916</b>	<b>43,923</b>
Securities		
Available-for-sale, at fair value	107,409	100,108
Held-to-maturity; fair value of \$33,553 in 2015 and \$38,950 in 2014	33,554	38,316
Restricted stock, at cost	4,614	4,614
<b>Total securities</b>	<b>145,577</b>	<b>143,038</b>
Loans held for sale	63	75
Loans	415,198	410,903
Less allowance for loan losses	4,656	4,381
<b>Net loans</b>	<b>410,542</b>	<b>406,522</b>
Premises and equipment, net	8,374	8,286
Core deposit intangible	566	629
Goodwill	4,728	4,728
Bank-owned life insurance	9,948	9,815
Accrued interest receivable and other assets	4,242	3,965
<b>TOTAL ASSETS</b>	<b>\$ 622,956</b>	<b>\$ 620,981</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Noninterest-bearing	\$ 139,603	\$ 139,251
Interest-bearing	356,801	360,824

Total deposits	496,404	500,075
Short-term borrowings	51,702	46,627
Other borrowings	13,738	14,953
Accrued interest payable and other liabilities	2,146	1,876
Total liabilities	563,990	563,531
<b>SHAREHOLDERS EQUITY</b>		
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	35,908	34,090
Treasury stock at cost - 241,197 shares in 2015 and 2014	(4,871)	(4,871)
Accumulated other comprehensive loss	(584)	(282)
Total shareholders equity	58,966	57,450
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 622,956</b>	<b>\$ 620,981</b>

*See notes to unaudited consolidated financial statements.*

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## CSB BANCORP, INC.

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>INTEREST AND DIVIDEND INCOME</b>				
Loans, including fees	\$ 4,744	\$ 4,631	\$ 9,318	\$ 9,060
Taxable securities	670	736	1,357	1,522
Nontaxable securities	137	115	267	230
Other	17	2	33	8
Total interest and dividend income	5,568	5,484	10,975	10,820
<b>INTEREST EXPENSE</b>				
Deposits	272	289	544	593
Short-term borrowings	18	22	34	41
Other borrowings	103	128	208	243
Total interest expense	393	439	786	877
<b>NET INTEREST INCOME</b>	<b>5,175</b>	<b>5,045</b>	<b>10,189</b>	<b>9,943</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>195</b>	<b>150</b>	<b>389</b>	<b>335</b>
Net interest income, after provision for loan losses	4,980	4,895	9,800	9,608
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	315	316	601	613
Trust services	243	202	445	418
Debit card interchange fees	246	233	473	431
Securities gains	21	133	56	133
Gain on sale of loans, net	122	44	192	68
Other income	233	231	467	449
Total noninterest income	1,180	1,159	2,234	2,112
<b>NONINTEREST EXPENSES</b>				
Salaries and employee benefits	2,224	2,110	4,374	4,129
Occupancy expense	258	240	524	506
Equipment expense	165	188	331	369
Professional and director fees	202	214	492	396
Franchise tax expense	100	106	199	213

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Marketing and public relations	99	98	175	206
Software expense	213	172	402	334
Debit card expense	108	92	208	189
Amortization of intangible assets	31	33	63	65
FDIC insurance expense	90	91	182	177
Other expenses	484	505	972	942
<b>Total noninterest expenses</b>	<b>3,974</b>	<b>3,849</b>	<b>7,922</b>	<b>7,526</b>
Income before income taxes	2,186	2,205	4,112	4,194
<b>FEDERAL INCOME TAX PROVISION</b>	<b>669</b>	<b>683</b>	<b>1,253</b>	<b>1,256</b>
<b>NET INCOME</b>	<b>\$ 1,517</b>	<b>\$ 1,522</b>	<b>\$ 2,859</b>	<b>\$ 2,938</b>
<b>Basic and diluted net earnings per share</b>	<b>\$ 0.55</b>	<b>\$ 0.55</b>	<b>\$ 1.04</b>	<b>\$ 1.07</b>

*See notes to unaudited consolidated financial statements.*

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## CSB BANCORP, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

<i>(Dollars in thousands)</i>	<b>Three Months Ended</b>		<b>Six Months</b>	
	<b>June 30,</b>		<b>Ended</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net income	\$ 1,517	\$ 1,522	\$ 2,859	\$ 2,938
Other comprehensive income (loss)				
Unrealized gains (losses) arising during the period	(1,386)	583	(618)	1,356
Amounts reclassified from accumulated other comprehensive income, held-to-maturity	162	51	216	104
Income tax effect	416	(214)	137	(496)
Reclassification adjustment for gains on available-for-sale securities included in net income	(21)	(133)	(56)	(133)
Income tax effect	7	45	19	45
Other comprehensive income	(822)	332	(302)	876
Total comprehensive income	\$ 695	\$ 1,854	\$ 2,557	\$ 3,814

*See notes to unaudited consolidated financial statements.*



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## CSB BANCORP, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

<i>(Dollars in thousands, except per share data)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Balance at beginning of period	\$ 58,791	\$ 53,879	\$ 57,450	\$ 52,411
Net income	1,517	1,522	2,859	2,938
Other comprehensive income (loss)	(822)	332	(302)	876
Stock options exercised 451 shares issued in 2014		(1)		(1)
Cash dividends declared	(520)	(493)	(1,041)	(985)
Balance at end of period	\$ 58,966	\$ 55,239	\$ 58,966	\$ 55,239
Cash dividends declared per share	\$ 0.19	\$ 0.18	\$ 0.38	\$ 0.36

*See notes to unaudited consolidated financial statements.*

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## CSB BANCORP, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<i>(Dollars in thousands)</i>		
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ 3,639	\$ 2,326
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Securities:		
Proceeds from repayments, held-to-maturity	8,945	5,481
Proceeds from maturities and repayments, available-for-sale	15,394	9,605
Purchases, available-for-sale	(25,088)	(2,535)
Purchases, held-to-maturity	(4,000)	
Proceeds from sale of available-for-sale securities	1,576	2,483
Proceeds from redemption of restricted stock		850
Loan originations, net of repayments	(4,697)	(33,112)
Property, equipment, and software acquisitions	(444)	(268)
Net cash used in investing activities	(8,314)	(17,496)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in deposits	(3,671)	2,745
Net change in short-term borrowings	5,075	1,852
Net change in other borrowings	(1,215)	4,821
Cash dividends paid	(521)	(492)
Stock options exercised		(1)
Net cash (used in) provided by financing activities	(332)	8,925
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,007)	(6,245)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	43,923	42,599
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 38,916	\$ 36,354
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	\$ 792	\$ 892
Income taxes	755	1,175
Noncash financing activities:		
Dividends declared	520	493

*See notes to unaudited consolidated financial statements.*



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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements include the accounts of CSB Bancorp, Inc. and its wholly-owned subsidiaries, The Commercial and Savings Bank (the Bank ) and CSB Investment Services, LLC (together referred to as the Company or CSB ). All significant intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the Company's financial position at June 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 June 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 15, 2014.

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CSB BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

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 August 2014, the FASB issued ASU 2014-14, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40)*. The amendments in this Update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure, (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim, and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. 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. This Update did not have a significant impact on the Company's financial statements.

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.

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## CSB BANCORP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 2 SECURITIES**

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

<i>(Dollars in thousands)</i>	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>June 30, 2015</b>				
Available-for-sale				
U.S. Treasury security	\$ 1,003	\$ 1	\$	\$ 1,004
U.S. Government agencies	29,646	12	247	29,411
Mortgage-backed securities of government agencies	48,911	615	210	49,316
Other mortgage-backed securities	122	2		124
Asset-backed securities of government agencies	1,538	12		1,550
State and political subdivisions	20,826	305	228	20,903
Corporate bonds	5,034	16	14	5,036
Equity securities	65			65
<b>Total available-for-sale</b>	<b>107,145</b>	<b>963</b>	<b>699</b>	<b>107,409</b>
Held-to-maturity securities				
U.S. Government agencies	13,478	210	85	13,603
Mortgage-backed securities of government agencies	20,076	71	197	19,950
<b>Total held-to-maturity</b>	<b>33,554</b>	<b>281</b>	<b>282</b>	<b>33,553</b>
Restricted stock	4,614			4,614
<b>Total securities</b>	<b>\$ 145,313</b>	<b>\$ 1,244</b>	<b>\$ 981</b>	<b>\$ 145,576</b>
<b>December 31, 2014</b>				
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



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

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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 June 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.

<i>(Dollars in thousands)</i>	<b>Amortized cost</b>	<b>Fair value</b>
<b>Available-for-sale:</b>		
Due in one year or less	\$ 2,649	\$ 2,665
Due after one through five years	18,739	18,845
Due after five through ten years	30,049	29,974
Due after ten years	55,643	55,860
<b>Total debt securities available-for-sale</b>	<b>\$ 107,080</b>	<b>\$ 107,344</b>
<b>Held-to-maturity:</b>		
Due in one year or less	\$	\$
Due after one through five years		
Due after five through ten years	7,769	7,794
Due after ten years	25,785	25,759
<b>Total debt securities held-to-maturity</b>	<b>\$ 33,554</b>	<b>\$ 33,553</b>

Securities with a carrying value of approximately \$94.7 million and \$88.4 million were pledged at June 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 June 30, 2015 and December 31, 2014. Federal Reserve Bank stock was \$471 thousand at June 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.

<i>(Dollars in thousands)</i>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Proceeds	\$ 1,488	\$ 2,483	\$ 1,576	\$ 2,483
Realized gains	21	133	56	133
Realized losses				
Net securities gains	\$ 21	\$ 133	\$ 56	\$ 133

The income tax provision applicable to realized gains amounted to \$7 and \$45 thousand for the three month periods ending June 30, 2015 and 2014, respectively. The income tax provision applicable to realized gains amounted to \$19 thousand and \$45 thousand for the six month periods ending June 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 June 30, 2015 and December 31, 2014:

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
<i>(Dollars in thousands)</i>						
<b>June 30, 2015</b>						
<b>Available-for-sale</b>						
U.S. Government agencies	\$ 161	\$ 11,482	\$ 86	\$ 5,914	\$ 247	\$ 17,396
Mortgage-backed securities of government agencies	210	14,130			210	14,130
State and political subdivisions	209	8,857	19	677	228	9,534
Corporate bonds	14	486			14	486
<b>Held-to-maturity</b>						
U.S. Government agencies	85	3,915			85	3,915
Mortgage-backed securities of government agencies	197	14,478			197	14,478
<b>Total temporarily impaired securities</b>	<b>\$ 876</b>	<b>\$ 53,348</b>	<b>\$ 105</b>	<b>\$ 6,591</b>	<b>\$ 981</b>	<b>\$ 59,939</b>
<b>December 31, 2014</b>						
<b>Available-for-sale</b>						
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
<b>Held-to-maturity</b>						
U.S. Government agencies	2	998			2	998
Mortgage-backed securities of government agencies			56	9,265	56	9,265

<b>Total temporarily impaired securities</b>	\$ 77	\$ 16,936	\$ 269	\$ 21,476	\$ 346	\$ 38,412
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There were fifty-six (56) securities in an unrealized loss position at June 30, 2015, ten (10) 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 June 30, 2015.

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## CSB BANCORP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 3 LOANS**

Loans consist of the following:

<i>(Dollars in thousands)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Commercial	\$ 127,878	\$ 123,813
Commercial real estate	140,482	139,695
Residential real estate	122,732	121,684
Construction & land development	15,195	17,446
Consumer	8,534	7,913
Total loans before deferred costs	414,821	410,551
Deferred loan costs	377	352
<b>Total Loans</b>	<b>\$ 415,198</b>	<b>\$ 410,903</b>

**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 June 30, 2015 and December 31, 2014, approximately 77% of the outstanding principal balance of the Company's commercial real estate loans were secured by owner-occupied properties.

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

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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 \$75.5 million and \$70.6 million at June 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 June 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 six month periods ended June 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 six month periods of 2015 related to commercial and industrial and commercial real estate loans were primarily due to the increase in loan balances in the first quarter of



2015 and the subsequent decrease in these loan balances in the second quarter of 2015. The increase in the provision related to consumer loans for the six months ended June 30, 2015 was due to charge-offs of loans in that category and increasing loan volumes.

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 and special mention 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 the historical loss rate of this loan type, increase in loan balances, and charge-offs that occurred during the six months ended June 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 3 LOANS (CONTINUED)**

<i>(Dollars in thousands)</i>	Commercial		Construction		Consumer	Unallocated	Total
	Commercial	Real Estate	Residential Real Estate	& Land Development			
<b>Three months ended June 30, 2015</b>							
Beginning balance	\$ 1,394	\$ 1,574	\$ 1,003	\$ 133	\$ 69	\$ 321	\$ 4,494
Provision for possible loan losses	(43)	(99)	8	(8)	8	329	195
Charge-offs	(3)	(16)	(17)		(4)		(40)
Recoveries	6				1		7
Net charge-offs	3	(16)	(17)		(3)		(33)
Ending balance	\$ 1,354	\$ 1,459	\$ 994	\$ 125	\$ 74	\$ 650	\$ 4,656
<b>Six months ended June 30, 2015</b>							
Beginning balance	\$ 1,289	\$ 1,524	\$ 1,039	\$ 142	\$ 60	\$ 327	\$ 4,381
Provision for possible loan losses	58	(35)	16	(17)	44	323	389
Charge-offs	(5)	(40)	(70)		(34)		(149)
Recoveries	12	10	9		4		35
Net charge-offs	7	(30)	(61)		(30)		(114)
Ending balance	\$ 1,354	\$ 1,459	\$ 994	\$ 125	\$ 74	\$ 650	\$ 4,656
<b>Three months ended June 30, 2014</b>							
Beginning balance	\$ 1,141	\$ 2,192	\$ 1,054	\$ 145	\$ 77	\$ 456	\$ 5,065
Provision for possible loan losses	182	51	102	(94)	(37)	(54)	150
Charge-offs	(5)	(156)	(2)				(163)
Recoveries	4		3		4		11
Net charge-offs	(1)	(156)	1		4		(152)
Ending balance	\$ 1,322	\$ 2,087	\$ 1,157	\$ 51	\$ 44	\$ 402	\$ 5,063
<b>Six months ended June 30, 2014</b>							

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Beginning balance	\$ 1,219	\$ 1,872	\$ 1,205	\$ 178	\$ 91	\$ 520	\$ 5,085
Provision for possible loan losses	113	568	(49)	(127)	(52)	(118)	335
Charge-offs	(18)	(353)	(6)		(3)		(380)
Recoveries	8		7		8		23
Net charge-offs	(10)	(353)	1		5		(357)
Ending balance	\$ 1,322	\$ 2,087	\$ 1,157	\$ 51	\$ 44	\$ 402	\$ 5,063

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## CSB BANCORP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 3 LOANS (CONTINUED)**

The following table presents the balance in the allowance for loan losses and the ending loan balances by portfolio segment and based on the impairment method as of June 30, 2015 and December 31, 2014:

<i>(Dollars in thousands)</i>	<b>Commercial</b>						<b>Unallocated</b>	<b>Total</b>
	<b>Commercial</b>	<b>Real Estate</b>	<b>Residential Real Estate</b>	<b>Construction</b>	<b>Consumer</b>	<b>Commercial</b>		
<b>June 30, 2015</b>								
Allowance for loan losses:								
Individually evaluated for impairment	\$	\$ 71	\$ 30	\$	\$	\$		101
Collectively evaluated for impairment	1,354	1,388	964	125	74	650		4,555
<b>Total ending allowance balance</b>	\$ 1,354	\$ 1,459	\$ 994	\$ 125	\$ 74	\$ 650		4,656
Loans:								
Loans individually evaluated for impairment	\$ 2,187	\$ 4,944	\$ 1,823	\$	\$			8,954
Loans collectively evaluated for impairment	125,691	135,538	120,909	15,195	8,534			405,867
<b>Total ending loans balance</b>	\$ 127,878	\$ 140,482	\$ 122,732	\$ 15,195	\$ 8,534			414,821
<b>December 31, 2014</b>								
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
<b>Total ending allowance balance</b>	\$ 1,289	\$ 1,524	\$ 1,039	\$ 142	\$ 60	\$ 327		4,381

<b>Loans:</b>						
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
<b>Total ending loans balance</b>	<b>\$ 123,813</b>	<b>\$ 139,695</b>	<b>\$ 121,684</b>	<b>\$ 17,446</b>	<b>\$ 7,913</b>	<b>410,551</b>

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## CSB BANCORP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 3 LOANS (CONTINUED)**

The following table presents loans individually evaluated for impairment by class of loans as of June 30, 2015 and December 31, 2014:

<i>(Dollars in thousands)</i>	<b>Unpaid Principal Balance</b>	<b>Recorded Investment with no Allowance</b>	<b>Recorded Investment with Allowance</b>	<b>Total Recorded Investment</b>	<b>Related Allowance</b>
<b>June 30, 2015</b>					
Commercial	\$ 6,728	\$ 5,542	\$ 11	\$ 5,553	\$
Commercial real estate	1,814	1,029	564	1,593	71
Residential real estate	2,000	1,104	723	1,827	30
<b>Total impaired loans</b>	<b>\$ 10,542</b>	<b>\$ 7,675</b>	<b>\$ 1,298</b>	<b>\$ 8,973</b>	<b>\$ 101</b>
<b>December 31, 2014</b>					
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
<b>Total impaired loans</b>	<b>\$ 10,568</b>	<b>\$ 7,724</b>	<b>\$ 1,495</b>	<b>\$ 9,219</b>	<b>\$ 184</b>

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

<i>(Dollars in thousands)</i>	<b>Three months</b>		<b>Six months</b>	
	<b>ended June 30, 2015</b>	<b>2014</b>	<b>ended June 30, 2015</b>	<b>2014</b>
<b>Average recorded investment:</b>				
Commercial	\$ 6,137	\$ 6,983	\$ 5,998	\$ 6,593
Commercial real estate	1,606	3,486	1,655	3,591
Residential real estate	1,729	1,838	1,674	1,861

Average recorded investment in impaired loans	\$ 9,472	\$ 12,307	\$ 9,327	\$ 12,045
Interest income recognized:				
Commercial	\$ 54	\$ 41	\$ 105	\$ 102
Commercial real estate	4	35	9	70
Residential real estate	19	16	35	31
Interest income recognized on a cash basis on impaired loans	\$ 77	\$ 92	\$ 149	\$ 203

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## CSB BANCORP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 3 LOANS (CONTINUED)**

The following table presents the aging of past due loans and nonaccrual loans as of June 30, 2015 and December 31, 2014 by class of loans:

<i>(Dollars in thousands)</i>	Current	30 - 59	60 - 89	90 Days +	Non-Accrual	Total Past	Total Loans
		Days Past Due	Days Past Due	Past Due		Due and Non-Accrual	
<b>June 30, 2015</b>							
Commercial	\$ 126,693	\$ 149	\$ 228	\$	\$ 808	\$ 1,185	\$ 127,878
Commercial real estate	138,747	280	4		1,451	1,735	140,482
Residential real estate	121,380	463	43	163	683	1,352	122,732
Construction & land development	15,195						15,195
Consumer	8,394	128		12		140	8,534
<b>Total Loans</b>	<b>\$ 410,409</b>	<b>\$ 1,020</b>	<b>\$ 275</b>	<b>\$ 175</b>	<b>\$ 2,942</b>	<b>\$ 4,412</b>	<b>\$ 414,821</b>
<b>December 31, 2014</b>							
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
<b>Total Loans</b>	<b>\$ 405,220</b>	<b>\$ 1,033</b>	<b>\$ 349</b>	<b>\$ 281</b>	<b>\$ 3,668</b>	<b>\$ 5,331</b>	<b>\$ 410,551</b>



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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 \$7.0 million as of June 30, 2015, and \$6.8 million as of December 31, 2014, with \$39 thousand and \$88 thousand of specific reserves allocated to those loans, respectively. At June 30, 2015, \$6.6 million of the loans classified as TDR s were performing in accordance with their modified terms. Of the remaining \$404 thousand, all were in nonaccrual of interest status.

The Company held no foreclosed real estate as of June 30, 2015 or December 31, 2014. Consumer mortgage loans in the process of foreclosure were \$280 thousand at June 30, 2015 and \$139 thousand at December 31, 2014.

The following table presents loans restructured during the three and six month period ended June 30, 2015 and the three and six month periods June 30, 2014.

<i>(Dollars in thousands)</i>	<b>Number of loans restructured</b>	<b>Pre- Modification Recorded Investment</b>	<b>Post- Modification Recorded Investment</b>
<b>For the three months ended June 30, 2015</b>			
Residential Real Estate	3	\$ 266	\$ 266
<b>Total Restructured Loans</b>	<b>3</b>	<b>\$ 266</b>	<b>\$ 266</b>
<b>For the six months ended June 30, 2015</b>			
Residential Real Estate	4	\$ 295	\$ 295
<b>Total Restructured Loans</b>	<b>4</b>	<b>\$ 295</b>	<b>\$ 295</b>
<b>For the three months ended June 30, 2014</b>			
Residential Real Estate		\$	\$
<b>Total Restructured Loans</b>		<b>\$</b>	<b>\$</b>
<b>For the six months ended June 30, 2014</b>			

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 six month periods ended June 30, 2015 and 2014.

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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 June 30, 2015 and December 31, 2014:

<i>(Dollars in thousands)</i>	<b>Pass</b>	<b>Special Mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Not Rated</b>	<b>Total</b>
<b>June 30, 2015</b>						
Commercial	\$ 113,532	\$ 5,884	\$ 7,633	\$	\$ 829	\$ 127,878
Commercial real estate	132,100	4,259	3,120		1,003	140,482
Residential real estate	204		37		122,491	122,732
Construction & land development	11,850	1,376			1,969	15,195
Consumer					8,534	8,534
<b>Total</b>	<b>\$ 257,686</b>	<b>\$ 11,519</b>	<b>\$ 10,790</b>	<b>\$</b>	<b>\$ 134,826</b>	<b>\$ 414,821</b>
<b>December 31, 2014</b>						
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
<b>Total</b>	<b>\$ 256,357</b>	<b>\$ 10,286</b>	<b>\$ 10,363</b>	<b>\$</b>	<b>\$ 133,545</b>	<b>\$ 410,551</b>

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## CSB BANCORP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 3 LOANS (CONTINUED)**

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

<i>(Dollars in thousands)</i>	<b>Performing</b>	<b>Non-Performing</b>	<b>Total</b>
<b>June 30, 2015</b>			
Commercial	\$ 829	\$	\$ 829
Commercial real estate	1,003		1,003
Residential real estate	121,682	809	122,491
Construction & land development	1,969		1,969
Consumer	8,522	12	8,534
<b>Total</b>	<b>\$ 134,005</b>	<b>\$ 821</b>	<b>\$ 134,826</b>
<b>December 31, 2014</b>			
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
<b>Total</b>	<b>\$ 132,441</b>	<b>\$ 1,104</b>	<b>\$ 133,545</b>

**NOTE 4 SHORT-TERM BORROWINGS**

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

<i>(Dollars in thousands)</i>	<b>Overnight and Continuous</b>	
	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Securities of U.S. Government Agencies pledged	\$ 51,935	\$ 46,842
Repurchase agreements	\$ 51,702	\$ 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

(Unaudited)

**NOTE 5- FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table presents the assets reported on the Consolidated Balance Sheet at their fair value as of June 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.

<i>(Dollars in thousands)</i>	Level I	Level II	Level III	Total
<b><u>June 30, 2015</u></b>				
<b>Assets:</b>				
Securities available-for-sale				
U.S. Treasury security	\$ 1,004	\$	\$	\$ 1,004
U.S. Government agencies		29,411		29,411
Mortgage-backed securities of government agencies		49,316		49,316
Other mortgage-backed securities		124		124
Asset-backed securities of government agencies		1,550		1,550
State and political subdivisions		20,903		20,903
Corporate bonds		5,036		5,036
<b>Total debt securities</b>	<b>1,004</b>	<b>106,340</b>		<b>107,344</b>
Equity securities	65			65
<b>Total available-for-sale securities</b>	<b>\$ 1,069</b>	<b>\$ 106,340</b>	<b>\$</b>	<b>\$ 107,409</b>
<b><u>December 31, 2014</u></b>				
<b>Assets:</b>				
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

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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
<b>Total available-for-sale securities</b>	\$ 1,128	\$ 98,980	\$	\$ 100,108