

CSB BANCORP INC /OH
Form 10-K
March 16, 2018

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, 2017

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 (X) No

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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 (X) 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. (X) 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). (X) Yes () No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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, a smaller reporting company, or emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer () Accelerated filer (X) Non-accelerated filer () Smaller reporting company () Emerging growth company ()

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company []

At June 30, 2017, the aggregate market value of the voting common equity held by non-affiliates of the registrant, based on a price of \$29.75 per common share (such price being the average of the bid and ask trade price on such date) was \$75.4 million.

At March 16, 2018, there were outstanding 2,742,242 of the registrant's common shares, \$6.25 par value.

to differ materially from those discussed in the forward-looking statements. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Business Overview and Lending Activities

CSB operates primarily through the Bank and CSB Investment, providing a wide range of banking, trust, financial and brokerage services to corporate, institutional and individual customers throughout northeast Ohio. 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 provides residential real estate, commercial real estate, commercial, and consumer loans to customers located primarily in Holmes, Tuscarawas, Wayne, Stark, and portions of surrounding counties in Ohio. The Bank's market area has historically exhibited relatively stable economic conditions. Economic activity in the Company's market area has been increasing at a steady pace for the past nine years. Reported unemployment levels at December 2017 in the four primary counties served by the Company ranged between 3.1% and 5%. These levels declined slightly from December 2016. Labor markets continued to tighten during the fiscal year ending December

31, 2017. Wage pressure has increased for most entry level jobs and to a lesser extent middle-skills jobs in certain sectors such as banking and construction. The local housing market is relatively stable with moderate levels of sales and housing construction in 2017 and modest price appreciation. Higher costs of building materials and higher fuel costs have contributed to increased housing construction costs. Consumer confidence in the economy has been a primary driver for the strong housing demand and higher consumer spending.

Certain risks are involved in providing loans, including, but not limited to, the borrower's 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, the collateral being used to secure the transaction if any, and other factors. For all commercial loan relationships greater than \$300,000, 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 a sample of watch list and adversely classified credits over \$250,000 and a sample of commercial loan relationships greater than \$250,000. The outside loan review will also assess management's current credit grades and provide commentary with regard to assigned ratings and the need for a credit to be classified as a troubled debt restructuring, as well as assess management's specific loan loss reserves for loans included in their sample that are considered to be impaired. In addition, any loan over \$100,000 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 if deterioration continues.

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. 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 in order 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. The Bank monitors advances and the maximum loan to value ratio is typically limited to the lesser of 90% of cost or 80% of appraisal value. Management performs much of 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 80% or less of the value of the collateral or up to 95% of collateral value with private mortgage insurance. An appraisal from a qualified real estate appraiser or an evaluation based on comparable market values 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 upon completion. The Bank usually makes the permanent loan at the end of the construction phase. Generally, construction loans are made in amounts of 80% or less of the value of the as-completed 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 minimum monthly payments of the accrued interest.

Installment loans to individuals include unsecured loans and loans secured by recreational vehicles (RVs), automobiles, and other consumer assets. Consumer loans for the purchase of new RVs and new automobiles generally do not exceed 110% of Manufacturer's Suggested Retail Price (MSRP) on RVs or 110% of the MSRP of an automobile. Loans for used RVs and automobiles do not exceed 120% of the clean trade-in value as reported in the current NADA used guides. Overdraft protection loans are unsecured personal lines of credit to individuals who have 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 a general decline in economic conditions. The Bank assesses the borrower's ability and willingness to

repay through a review of credit history, credit ratings, debt-to-income ratios and other measures of repayment ability.

While CSB's chief decision-makers monitor the revenue streams of the various financial 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. For a discussion of the Company's financial performance for the fiscal year ended December 31, 2017, see the Consolidated Financial Statements and Notes to the Consolidated Financial Statements found in Item 8 of this Annual Report on Form 10-K.

Employees

At December 31, 2017, the Company had 187 employees, 156 of which were employed on a full-time basis. CSB has no separate employees not also employed by the Bank. No employees are covered by collective bargaining agreements. Employees are provided benefit programs, some of which are contributory. Management considers its employee relations to be good.

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 and federal law also permit nationwide interstate banking. In its primary market area of Holmes, Tuscarawas, Wayne, Stark, and surrounding Ohio counties, the Bank competes for new deposit dollars and loans with other commercial banks, including both large regional banks and smaller community banks, as well as savings and loan associations, credit unions, finance companies, insurance companies, brokerage firms, investment companies, and technology-based providers of financial services (sometimes referred to as fintech companies).

Competition within the financial service industry continues to increase as a result of mergers between, and expansion of, financial service providers within and outside of the Bank's primary market areas. In addition, securities firms and insurance companies that have elected to become financial holding companies may acquire commercial banks and other financial institutions, which can create additional competitive pressure.

Investor Relations

The Company's website address is www.csb1.com. The Company makes available its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, free of charge on its website as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (the SEC). The Company also makes available through its website, other reports filed with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), including its proxy statements and reports filed by officers and directors under Section 16(a) of the Exchange Act, as well as the Company's Code of Ethics. The Company does not intend for information contained in its website to be incorporated by reference into this Annual Report on Form 10-K.

In addition, the Company's filings with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street NE, Washington DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1.800.SEC.0330. These filings are also available on the SEC's website at www.sec.gov free of charge as soon as reasonably practicable after the Company has filed the above referenced reports.

Supervision and Regulation of CSB and the Bank

CSB and the Bank are subject to extensive regulation by federal and state regulatory agencies. The regulation of financial holding companies and their subsidiaries by bank regulatory agencies is intended primarily for the protection of consumers, depositors, federal deposit insurance funds, and the banking system as a whole and not for the protection of shareholders.

CSB is a bank holding company that has registered with the Federal Reserve Board (FRB) as a financial holding company under the Bank Holding Company Act, as amended (the BHC Act). Pursuant to the Gramm-Leach-Bliley Act of 1999 (GLBA), 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 with the FRB that the bank holding company wishes to become a financial holding company. CSB has been a financial holding company since 2005. No prior regulatory approval is required for a financial holding company to acquire certain companies, other than banks and savings associations, that are financial in nature as determined by the FRB.

GLBA defines financial in nature to include securities underwriting, dealing, and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency activities; merchant banking activities; and activities that the FRB has determined to be closely related to banking. Bank subsidiaries 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 subsidiary or subsidiaries. In addition, a financial holding company or a bank subsidiary of a financial holding company 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 bank has a CRA rating of satisfactory or better.

As a financial holding company, CSB is subject to regulation, examination, and supervision by the FRB under the BHC Act. CSB is also subject to the disclosure and regulatory requirements of the Securities Exchange Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, as administered by the SEC.

The Bank, as an Ohio state-chartered bank and member of the Federal Reserve System, is subject to regulation, supervision, and examination by the Ohio Division of Financial Institutions and the FRB. Because the FDIC insures its deposits, the Bank is also subject to certain FDIC regulations. The FDIC is an independent federal agency which insures the deposits, up to prescribed statutory limits, of federally-insured banks and savings associations, and safeguards the safety and soundness of the financial institution industry. The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC and the Bank is subject to deposit insurance assessments to maintain the Deposit Insurance Fund. In addition, the Bank is subject to regulations promulgated by the Consumer Financial Protection Bureau (the CFPB) established by the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 (the Dodd-Frank Act).

The earnings, dividends, and other aspects of the operations and activities of CSB 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 FRB, United States fiscal and economic policies, international currency regulations, and monetary policies, certain restrictions on relationships with many phases of the securities business, and capital adequacy, and liquidity restraints.

The following information describes selected federal and state statutory and regulatory provisions that have, or could have, a material impact on the Company's business. This discussion is qualified in its entirety by reference to the full text of the particular statutory or regulatory provisions. These statutes and regulations are continually under review by the United States Congress and state legislatures, and state and federal regulatory agencies. A change in statutes, regulations, or regulatory policies applicable to CSB and its subsidiaries could have a material effect on their respective businesses.

Regulation of Bank Holding Companies

As a financial holding company under GLBA, CSB's activities are subject to extensive regulation by the FRB. CSB is required to file reports with the FRB and provide such additional information as the FRB may require, and is subject to regular examination and inspection by the FRB.

The FRB has extensive enforcement authority over bank holding companies, including the ability to assess civil money penalties, issue cease and desist orders, and require that a bank holding company divest subsidiaries (including subsidiary banks). The FRB may initiate enforcement actions for violations of laws and regulations, and for unsafe and unsound practices. Under FRB policies, a bank holding company is expected to act as a source of strength to its subsidiary banks and to commit resources to support those subsidiary banks. Under this policy, the FRB may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank.

The BHC Act requires the prior approval of the FRB in cases where a bank holding company proposes to acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that is not already majority-owned by it, acquire all or substantially all of the assets of another bank or another financial or bank holding

company, or merge or consolidate with any other financial or bank holding company.

The FRB also regulates and provides limitations on transactions between affiliates of a bank holding company, loans to directors and officers of bank affiliates, securities transactions, and liability for losses incurred by commonly controlled banks in certain circumstances.

Regulatory Capital

The FRB adopted risk-based capital guidelines for bank holding companies and state member banks, designed to absorb losses. The guidelines provide a systematic analytical framework, which makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures expressly into account in evaluating capital adequacy and minimizes disincentives to holding liquid, low-risk assets. Capital levels as measured by these standards are also used to categorize financial institutions for purposes of certain prompt corrective action regulatory provisions.

New Basel III Capital Rules (Basel III) became effective on January 1, 2015, and contain a new capital conservation buffer and deductions from common equity capital that phase in from January 1, 2016, through January 1, 2019, and deductions from common equity tier 1 capital that will mostly phase in from January 1, 2015, through January 1, 2019.

The new rules include (a) a new common equity tier 1 capital ratio of at least 4.5%, (b) a minimum tier 1 capital ratio of 6.0%, (c) a minimum capital to risk-weighted assets ratio of 8.0%, and (d) a minimum leverage ratio of 4%.

Common equity for the common equity tier 1 capital ratio includes common stock (plus related surplus) and retained earnings, plus limited amounts of minority interests in the form of common stock, less the majority of certain regulatory deductions.

Tier 1 capital includes common equity as defined for the common equity tier 1 capital ratio, plus certain non-cumulative preferred stock and related surplus, cumulative preferred stock and related surplus, and trust preferred securities that have been grandfathered (but which are not permitted going forward), and limited amounts of minority interests in the form of additional tier 1 capital instruments, less certain deductions.

Tier 2 capital, which can be included in the total capital ratio, includes certain capital instruments (such as subordinated debt) and limited amounts of the allowance for loan and lease losses, subject to new eligibility criteria, less applicable deductions.

The deductions from common equity tier 1 capital include goodwill and other intangibles, certain deferred tax assets, mortgage-servicing assets above certain levels, gains on sale in connection with a securitization, investments in a banking organization's own capital instruments and investments in the capital of unconsolidated financial institutions (above certain levels). The deductions phase in through 2019.

Under the guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of several risk weights is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The new rules placed restrictions on the payment of capital distributions, including dividends, and certain discretionary bonus payments to executive officers if the Company does not hold a capital conservation buffer of greater than 2.5% composed of common equity tier 1 capital above its minimum risk-based capital requirements, or if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5% at the beginning of the quarter. The capital conservation buffer was phased in beginning January 1, 2016 at 0.625% and will be fully phased in at 2.50% by January 1, 2019. The required capital conservation buffer for January 1, 2018 is 1.875%.

Pursuant to the FRB's Small Bank Holding Company Policy statement (SBHC Policy), a bank holding company with assets of less than \$1 billion and meeting certain other requirements is not required to comply with the consolidated

capital requirements until such company exceeds \$1 billion in assets or is otherwise determined by the FRB not to qualify as a small bank holding company. At December 31, 2017, CSB was deemed to be a small bank holding company under the SBHC Policy and was not required to comply with the FRB's regulatory capital requirements. The Bank, however, must comply with the new capital requirements.

The implementation of Basel III did not have a material impact on CSB's or the Bank's capital ratios.

Prompt Corrective Action

The federal banking agencies have established a system of prompt corrective action to resolve certain of the problems of undercapitalized institutions. This system is based on five capital level categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The federal banking agencies may (or in some cases must) take certain supervisory actions depending upon a bank's capital level. For example, the banking agencies must appoint a receiver or conservator for a bank within 90 days after it becomes critically undercapitalized unless the bank's primary regulator determines, with the concurrence of the FDIC, that other action would better achieve regulatory purposes. Banking operations otherwise may be significantly affected depending on a bank's capital category. For example, a bank that is not well capitalized generally is prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market, and the holding company of any undercapitalized depository institution must guarantee, in part, specific aspects of the bank's capital plan for the plan to be acceptable.

In order to be well-capitalized, a bank must have a minimum common equity tier 1 capital ratio of 6.5%, a total risk-based capital ratio of at least 10%, a tier 1 risk-based capital ratio of at least 8% and a leverage ratio of at least 5%, and the bank must not be subject to any written agreement, order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure.

As of December 31, 2017, the Bank met the ratio requirements in effect at that date to be deemed well-capitalized. See Note 12 of the Notes to Consolidated Financial Statements located on page 51 of CSB's 2017 Annual Report, which is incorporated herein by reference. Management of the Company believes the Bank also meets the capital requirements to be deemed well-capitalized under the new guidelines.

Deposit Insurance

Substantially all of the deposits of the Bank are insured up to applicable limits by the Deposit Insurance Fund of the FDIC, and the Bank is assessed quarterly deposit insurance premiums to maintain the Deposit Insurance Fund. Insurance premiums for each insured institution are determined based upon the institution's capital level and supervisory rating provided to the FDIC by the institution's primary federal regulator and other information deemed by the FDIC to be relevant to the risk posed to the Deposit Insurance Fund by the institution. The assessment rate is then applied to the amount of the institution's assessment base to determine the institution's insurance premium. The deposit insurance assessment base is calculated on average assets less average tangible equity.

Effective July 1, 2016 the FDIC revised the deposit insurance premium assessment method for banks with less than \$10 billion in assets that have been insured by the FDIC for at least five years. The change revised the financial ratios method so that it would be based on a statistical model estimating the probability of failure of a bank over three years; updated the financial measures used in the financial ratios method consistent with the statistical model; and eliminated risk categories for established small banks by using the financial ratios method to determine assessment rates for all such banks (subject to minimum or maximum initial assessment rates based upon a bank's composite examination rating).

As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, federally-insured institutions. It also may prohibit any federally-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the Deposit Insurance Fund. The FDIC also has the authority to take enforcement actions against insured institutions. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC or

written agreement entered into with the FDIC.

The management of the Bank does not know of any practice, condition, or violation that might lead to termination of deposit insurance.

Fiscal and Monetary Policies

The business and earnings of the Company are affected significantly by the fiscal and monetary policies of the United States Government and its agencies. These policies are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. CSB is particularly affected by the policies of the FRB, which has regulatory authority over the supply of money and credit in the United States.

The monetary policies of the FRB have had a significant effect on the operating results of financial institutions in the past and are expected to continue to have significant effects in the future. In view of the changing conditions in the economy, the money markets and the activities of monetary and fiscal authorities, the Company can make no definitive predictions as to future changes in interest rates, credit availability or deposit levels.

Limits on Dividends and Other Payments

There are various legal limitations on the extent to which subsidiary banks may finance or otherwise supply funds to their parent holding companies. Under applicable federal and state laws, subsidiary banks may not, subject to certain limited exceptions, make loans or extensions of credit to, or investments in the securities of, their bank holding companies. Subsidiary banks are also subject to collateral security requirements for any loan or extension of credit permitted by such exceptions.

Payments of dividends by the Bank are limited by applicable state and federal laws and regulations. The ability of CSB to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by the Bank. However, the FRB expects CSB to serve as a source of strength for the Bank and may require CSB to retain capital for further investment in the Bank, rather than pay dividends to CSB shareholders. Payment of dividends by the Bank may be restricted at any time at the discretion of its applicable regulatory authorities, if they deem such dividends to constitute an unsafe or unsound banking practice. These provisions could have the effect of limiting CSB's ability to pay dividends on its common shares.

The FRB issued a policy statement that provides that insured banks and bank holding companies should generally only pay dividends out of current operating earnings. At December 31, 2017, approximately \$9.3 million of the total shareholders' equity of the Bank was available for payment to CSB without the prior approval of the applicable regulatory authorities. See Note 12 of the Notes to Consolidated Financial Statements located on page 52 of CSB's 2017 Annual Report.

Customer Privacy

Under the GLBA, federal banking agencies have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require distribution of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties.

USA Patriot Act

In response to the events of September 11, 2001, the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the Patriot Act) was signed into law in October, 2001. The Patriot Act provides for financial institutions to establish programs and procedures to combat money laundering and terrorist financing. In addition, federal banking agencies are required, when reviewing bank holding company acquisition and bank merger applications, to take into account the effectiveness of the anti-money laundering policies, procedures, and controls of the applicants.

The Bank has established policies and procedures to be compliant with the requirements of the Patriot Act.

Corporate Governance

The Sarbanes-Oxley Act of 2002 (SOX) effected broad reforms to areas of financial disclosure and corporate governance. The Board of Directors reviews the Company s corporate governance practices on a continuing basis. In accordance with section 302(a) of SOX, written certifications by CSB s Chief Executive Officer and Chief Financial Officer are required to certify that CSB s quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact or fail to state a material fact. CSB has also implemented a program designed to comply with Section 404 of SOX, which includes 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. As of June 30, 2017, CSB exceeded the Section 404(b) market cap requirement under SOX to provide an auditor s attestation and report on management s assessment of internal control over financial reporting for fiscal year 2017. Management s assessment of internal controls over financial reporting and the Independent Registered Public Accounting Firm opinion on internal control over financial reporting are located on pages 22 and 23 of CSB s 2017 Annual Report.

Effect of Environmental Regulation

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon the capital expenditures, earnings or competitive position of CSB or its subsidiaries. CSB believes the nature of the operations of its subsidiaries has little, if any, environmental impact. CSB, therefore, anticipates no material capital expenditures for environmental control facilities for its current fiscal year or for the foreseeable future.

CSB believes its primary exposure to environmental risk is through the lending activities of the Bank. In cases where management believes environmental risk potentially exists, the Bank mitigates environmental risk exposure by requiring environmental site assessments at the time of loan origination to confirm collateral quality as to commercial real estate parcels posing higher than normal potential for environmental impact, as determined by reference to present and past uses of the subject property and adjacent sites.

Executive and Incentive Compensation

In June 2010, the federal banking agencies issued joint interagency guidance on incentive compensation policies (the Joint Guidance) intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This principles-based guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization s incentive compensation arrangements should: (i) provide incentives that do not encourage risk-taking beyond the organization s ability to effectively identify and manage risks; (ii) be compatible with effective internal controls and risk management; and (iii) be supported by strong corporate governance, including active and effective oversight by the organization s board of directors.

Pursuant to the Joint Guidance, the FRB will review as part of a regular, risk-focused examination process, the incentive compensation arrangements of financial institutions such as the Company. Such review will be tailored to each organization based on the scope and complexity of the organization s activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination and deficiencies will be incorporated into the institution s supervisory ratings, which can affect the institution s ability to make acquisitions and take other actions. Enforcement actions may be taken against an institution if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization s safety and soundness and prompt and effective measures are not being taken to correct the deficiencies.

The Company's board and management believe its policies and procedures related to Executive and Incentive Compensation are compliant with the Joint Guidance.

Future Legislation

Various and significant legislation affecting financial institutions and the financial industry is from time to time introduced by the U.S. Congress and state legislatures, as well as by regulatory agencies. Such legislation may continue to change banking statutes and the operating environment of CSB and its subsidiaries in substantial and unpredictable ways, and could significantly increase or decrease costs of doing business, limit or expand permissible activities or affect the competitive balance among financial institutions. The nature and extent of future legislative and regulatory changes affecting financial institutions remains very unpredictable.

Statistical Disclosures

The following schedules present, for the periods indicated, certain financial and statistical information of the Company as required under the SEC's Industry Guide 3 Statistical Disclosures by Bank Holding Companies, or a specific reference as to the location of required disclosures in the Company's 2017 Annual Report.

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

The information set forth under the heading, Average Balance Sheets and Net Interest Margin Analysis located on page 10 of the Company's 2017 Annual Report is incorporated by reference herein.

The information set forth under the heading, Rate/Volume Analysis of Changes in Income and Expense located on page 11 of the Company's 2017 Annual Report is incorporated by reference herein.

Investment Portfolio

The following is a schedule of the fair value of securities at December 31:

(Dollars in thousands)

Securities available-for-sale, at fair value	2017	2016	2015
U.S. Treasury security	\$ 998	\$ 1,001	\$ 1,000
U.S. Government agencies	8,229	6,402	18,118
Mortgage-backed securities of government agencies	49,701	55,837	63,179
Other mortgage-backed securities	-	65	104
Asset-backed securities of government agencies	1,169	1,266	1,392
State and political subdivisions	27,141	29,708	25,301
Corporate bonds	10,425	9,516	18,811
Equity securities	89	80	64
Total available-for-sale	\$ 97,752	\$ 103,875	\$ 127,969
Securities held-to-maturity, at fair value			
U.S. Government agencies	\$ 9,265	\$ 9,093	\$ 15,852
Mortgage-backed securities of government agencies	11,531	14,351	18,159
State and political subdivisions	4,695	-	-
Total held-to-maturity	\$ 25,491	\$ 23,444	\$ 34,011

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, 2017:

<i>Dollars in thousands)</i>	Maturing												
	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years		Total				
	Amortized Cost	Yield	Amortized Cost	Yield	Amortized Cost	Yield	Amortized Cost	Yield	Amortized Cost	Yield			
Available-for-sale:													
U.S. Treasury	\$ 999	1.11%	\$ -	-	%	\$ -	-	%	\$ -	-	%	\$ 999	1.11%
U.S. Government agencies	1,000	1.19	3,000	1.78		4,350	2.32		-	-		8,350	1.99
Mortgage-backed securities of government agencies	57	1.77	1,998	1.99		6,313	2.56		41,769	2.38		50,137	2.39
Asset-backed securities of government agencies	-	-	-	-		-	-		1,168	2.03		1,168	2.03
State and political subdivisions	1,221	4.16	7,523	3.61		15,408	3.45		2,868	3.08		27,020	3.49
Corporate bonds	1,844	2.14	4,718	2.63		3,469	3.64		500	4.00		10,531	2.95
Total	\$ 5,121	2.23%	\$ 17,239	2.84%		\$ 29,540	3.11%		\$ 46,305	2.43%		\$ 98,205	2.70%
Held-to-maturity:													
U.S. Government agencies	\$ -	-	%	\$ 478	2.19%	\$ 3,000	2.00%	\$ 5,998	2.01%	\$ 9,476	2.01%		
Mortgage-backed securities of government agencies	-	-		-	-		-	-	11,582	1.78		11,582	1.78
State and political subdivisions	4,700	2.35		-	-		-	-	-	-		4,700	2.35
Total	\$ 4,700	2.35%	\$ 478	2.19%		\$ 3,000	2.04%		\$ 17,580	1.85%		\$ 25,758	1.97%

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%.

Loan Portfolio

Total loans on the balance sheet are comprised of the following classifications at December 31:

<i>(Dollars in thousands)</i>	2017	2016	2015	2014	2013
Commercial	\$ 140,273	\$ 134,268	\$ 123,143	\$ 123,813	\$ 117,478
Commercial real estate	179,663	159,475	148,775	139,695	129,828
Residential real estate	157,172	144,489	125,775	121,684	111,445
Construction and land development	22,886	23,428	15,452	17,446	13,444
Consumer	16,306	13,308	9,268	7,913	6,687
Total loans	\$ 516,300	\$ 474,968	\$ 422,413	\$ 410,551	\$ 378,882

The following is a schedule of maturities of loans based on contract terms and assuming no amortization or prepayments, excluding residential real estate mortgage and installment loans, as of December 31, 2017:

<i>(Dollars in thousands)</i>	Maturing			Total
	One Year or Less	One Through Five Years	After Five Years	
Commercial	\$ 66,584	\$ 48,803	\$ 24,886	\$ 140,273
Commercial real estate	1,960	25,019	152,684	179,663
Construction and land development	4,167	6,551	12,168	22,886
Total	\$ 72,711	\$ 80,373	\$ 189,738	\$ 342,822

The following is a schedule of fixed rate and variable rate commercial, commercial real estate and construction and land development loans due after one year from December 31, 2017.

<i>(Dollars in thousands)</i>	Fixed Rate	Variable Rate
Total commercial, commercial real estate and construction and land development loans due after one year	\$ 47,945	\$ 222,166

The following schedule summarizes nonaccrual, past due and restructured loans.

<i>(Dollars in thousand)</i>	2017	2016	2015	2014	2013
Loans accounted for on a nonaccrual basis	\$ 6,081	\$ 1,449	\$ 1,576	\$ 3,668	\$ 2,234
Accruing loans that are contractually past due 90 days or more as to interest or principal payments	441	235	105	281	1,036

Total	\$ 6,522	\$ 1,684	\$ 1,681	\$ 3,949	\$ 3,270
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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.

Information regarding impaired loans at December 31 is as follows:

<i>(Dollars in thousands)</i>	2017	2016	2015
Total recorded investment of impaired loans	\$ 7,882	\$ 7,173	\$ 8,731
Less portion for which no allowance for loan loss is allocated	5,565	3,326	7,469
Portion of impaired loan balance for which an allowance for loan losses is allocated	2,317	3,847	1,262
Portion of allowance for loan losses allocated to the impaired loan balance at December 31	244	729	389

For the year ended December 31, 2017, interest income recognized on impaired loans amounted to \$123 thousand, while \$426 thousand would have been recognized had the loans been performing under their contractual terms. For the year ended December 31, 2016, interest income recognized on impaired loans amounted to \$312 thousand, while \$426 thousand would have been recognized had the loans been performing under their contractual terms. For the year ended December 31, 2015, interest income recognized on impaired loans amounted to \$309 thousand while \$442 thousand would have been recognized had the loans been performing under their contractual terms.

Impaired loans are comprised of commercial, commercial real estate and residential 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, automobile loans, home equity loans and second-mortgage loans. These consumer loans are included in nonaccrual and past due disclosures above as well as impaired loans when they become nonperforming. 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.

At December 31, 2017, no loans were identified that management had serious doubts about the borrowers' ability to comply with present loan repayment terms that are not included in the tables set forth above. On a monthly basis, the Company internally classifies certain loans based on various factors. At December 31, 2017, these amounts, including impaired and nonperforming loans, amounted to \$17.9 million of substandard loans and \$0 doubtful loans.

As of December 31, 2017, there were no concentrations of loans greater than 10% of total loans that were not otherwise disclosed as a category of loans in the loan portfolio table set forth above.

Summary of Loan Loss Experience

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

<i>(Dollars in thousands)</i>	2017	2016	2015	2014	2013
LOANS					
Average loans outstanding during period	\$ 497,048	\$ 448,941	\$ 412,147	\$ 405,973	\$ 374,821
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of period	\$ 5,291	\$ 4,662	\$ 4,381	\$ 5,085	\$ 4,580
Loans charged-off:					
Commercial	1,184	297	109	1,005	190
Commercial real estate	-	50	61	379	108
Residential real estate	-	12	132	27	82
Construction and land development	-	-	-	-	-
Consumer	20	59	46	11	48
Total loans charged-off	1,204	418	348	1,422	428
Recoveries of loans previously charged-off:					
Commercial	361	214	199	28	25
Commercial real estate	-	334	13	8	-
Residential real estate	8	5	18	25	18
Construction and land development	-	-	-	-	-
Consumer	3	1	10	14	50
Total loans recoveries	372	554	240	75	93
Net loans (recovered) charged-off	832	(136)	108	1,347	335
Provision charged to operating expense	1,145	493	389	643	840
Balance at end of period	\$ 5,604	\$ 5,291	\$ 4,662	\$ 4,381	\$ 5,085
Ratio of net charge-offs to average loans outstanding for period	0.17 %	(0.03) %	0.03 %	0.33 %	0.09 %

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 collectability 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.

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.

Allocation of the Allowance for Loan Losses

(Dollars in thousands)

	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 Amount	to Total Loans	Allowance Amount	to Total Loans	Allowance Amount	to Total Loans	Allowance Amount	to Total Loans	Allowance Amount	to Total Loans
	December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013	
	\$ 1,813	27.17 %	\$ 2,207	28.27 %	\$ 1,664	29.15 %	\$ 1,289	30.16 %	\$ 1,219	29.16 %
Commercial real estate	1,735	34.80	1,264	33.58	1,271	35.22	1,524	34.02	1,872	34.80
Commercial real estate	1,273	30.44	1,189	30.42	1,086	29.78	1,039	29.64	1,205	29.64
Construction & land development	237	4.43	178	4.93	123	3.66	142	4.25	178	4.25
Other	175	3.16	141	2.80	86	2.19	60	1.93	91	2.19
	371		312		432		327		520	
	\$ 5,604	100.00 %	\$ 5,291	100.00 %	\$ 4,662	100.00 %	\$ 4,381	100.00 %	\$ 5,085	100.00 %

Deposits

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

<i>(Dollars in thousands)</i>	Average Amounts Outstanding Year ended December 31,			Average Rate Paid Year ended December 31,		
	2017	2016	2015	2017	2016	2015
Noninterest-bearing demand	\$169,803	\$ 156,287	\$ 144,513	N/A	N/A	N/A
Interest-bearing demand	101,081	83,956	77,689	0.13 %	0.04 %	0.03 %
Savings deposits	170,694	163,271	158,531	0.18	0.08	0.07
Time deposits	111,650	116,427	125,180	0.82	0.73	0.75
Total deposits	\$553,228	\$ 519,941	\$ 505,913			

The Bank does not have any material deposits by foreign depositors.

The following is a schedule of maturities of time certificates of deposit in amounts of \$100,000 or more, as of December 31, 2017:

<i>(Dollars in thousands)</i>	
Three months or less	\$ 7,387
Over three through six months	6,107
Over six through twelve months	8,283
Over twelve months	17,851
Total	\$ 39,628

Return on Equity and Assets

	2017	2016	2015
Return on average assets	1.02 %	1.03 %	0.95 %
Return on average shareholders equity	10.33	10.44	10.07
Dividend payout ratio	32.45	31.71	34.55
Average shareholders equity to average assets	9.92	9.91	9.44

Short-Term Borrowings

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

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<i>(Dollars in thousands)</i>	2017	2016	2015
Securities sold under agreements to repurchase, federal			
funds purchased and short-term advances at year-end	\$ 39,480	\$ 48,742	\$ 48,598
Average balance outstanding	50,445	51,801	51,571
Maximum outstanding at any month end during the year	56,932	55,642	54,462
Weighted-average interest rate at year-end	0.39 %	0.16 %	0.14 %
Weighted-average rate during the year	0.29	0.14	0.14

ITEM 1A. RISK FACTORS.

Risks Related to the Company's Business

Unauthorized disclosure of sensitive or confidential client or customer information whether through a breach of the Company's computer systems or otherwise, could severely harm the Company's business.

As part of the Company's business, it collects, processes, and retains sensitive and confidential client and customer information on behalf of the Company's subsidiaries and other third parties. Despite the security measures the Company has in place, its facilities and systems, and those of the Company's third-party service providers, may be vulnerable to security breaches. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information, whether by the Company or by its vendors, could severely damage the Company's reputation, cause a loss of customer confidence, expose it to risks of litigation and liability or disrupt the Company's operations and may have a material adverse effect on the Company's business.

A failure in or breach of the Company's technology infrastructure, or those of third parties with whom the Company has relationships, could result in a material adverse effect on the Company's operations, reputation, cash flows, financial condition, and results of operation.

The Company is very dependent upon the use of technology to operate its business. The Company processes a large number of transactions every day and maintains and transmits confidential client and employee information through its technology systems. Although the Company has instituted security systems and monitors, modifies, and updates those systems periodically, those systems may fail to operate properly. Technology changes at a rapid pace, as do the threats to the continued operation and security of the Company's technology systems.

Most of the software applications the Company uses are licensed from, and supported, upgraded, and maintained by, third parties. A suspension or termination of certain of the licenses or the related support, upgrades, and maintenance could disrupt the Company's business.

Strong competition within the market in which the Company operates could reduce its ability to attract and retain business.

Competition in the financial services industry is intense, as the Company competes with banks, credit unions, 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 the Company's competitors offer a broader range of products and services, or in some cases a lower cost operating model, than the Company can offer. The Company's ability to achieve its financial objectives will depend on its ability to deliver or expand product delivery systems and technology required by customers.

The Company may not be able to attract and retain skilled people.

The Company's success depends, in large part, on the ability to attract and retain key people. Succession planning includes the continuity of both the Board of Directors and the management team. Competition for the best people in most activities in which we engage can be intense, and we may not be able to attract, hire, or retain the people we want or need. In order to attract and retain qualified employees, we must compensate them at market levels. If we are unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain our competitive position, our performance, could suffer, and, in turn, adversely affect our business, financial condition, or results of operation.

The Company's exposure to credit risk could adversely affect its earnings and financial condition.

Credit risk is the risk of losing principal and interest income because borrowers fail to repay loans. The Company's earnings may be negatively impacted if it fails to manage credit risk, as the origination of loans is an integral part of the Company's business. Factors which may affect the ability of borrowers to repay loans include a slowing of the local economy in which the Company operates, a downturn in one or more business sectors in which the Company's customers operate or a rapid increase in interest rates. All of the Company's loan portfolios, particularly commercial and industrial loans may be affected by the impact of higher interest rates. There has been some price appreciation in the housing market across the Company's footprint, reflecting improved sales and decreased inventories of houses to be sold. A return to further declines in home values and reduced levels of home sales in the Company's market may have a negative effect on the Company's business, financial condition or results of operation.

The Company's allowance for loan losses may be insufficient.

The Company maintains an allowance for loan losses to cover current, probable loan losses in our loan portfolio. Management makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. Through a periodic review and consideration of the loan portfolio, management determines the amount of the allowance for loan losses by considering general market conditions, credit quality of the loan portfolio, the collateral supporting the loans, and performance of customers relative to their financial obligations with the Company. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond the Company's control and these losses may exceed current estimates. The Company cannot fully predict the amount, timing of losses, or whether the loss allowance will be adequate in the future. If the Company's assumptions prove to be incorrect, the allowance for loan losses may not be sufficient to cover losses inherent in the Company's loan portfolio, resulting in additions to the allowance. Excessive loan losses and significant additions to the Company's allowance for loan losses could have a material adverse impact on the Company's business, financial condition, and results of operations. Any such increase in the Company's allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on the Company's business, financial condition or results of operations.

The Financial Accounting Standards board (FASB) finalized its guidance eliminating the probable recognition threshold for credit losses on financial assets measured at amortized cost. The Update would require financial assets be presented at the net amount expected to be collected. Under this current expected credit loss model (CECL), an entity would record at the time of origination, as an allowance, its estimate of credit losses expected throughout the life of the loan as opposed to the current practice of recording losses when it is probable that a loss event has occurred. The Update for Financial Instruments-Credit Losses is required January 1, 2020. The guidance may require the Company to maintain a larger allowance for loan losses in the future than existing guidance currently requires.

The Company has significant exposure to risks associated with commercial and commercial real estate loans.

As of December 31, 2017, approximately 62% of the Company's loan portfolio consisted of commercial and commercial real estate loans. These loans are generally viewed as having more inherent risk of default than residential mortgage or consumer loans. The repayment of these loans often depends on the successful operation of a business. These loans are more likely to be adversely affected by weak conditions in the economy. Also, the commercial loan balance per borrower is typically larger than that of residential mortgage loans and consumer loans, indicating higher potential losses on an individual loan basis. The deterioration of one or a few of these loans could cause a significant increase in nonperforming loans and a reduction in interest income. An increase in nonperforming loans could result in an increase in the provision for loan losses and an increase in loan charge-offs, both of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to liquidity risk.

The Company requires liquidity to extend credit and repay liabilities on a timely basis at a reasonable cost. The Company's access to funding sources in amounts adequate to finance its activities or on terms that are acceptable to it could be impaired by factors that affect it specifically or the financial services industry or economy generally. Factors that could reduce its access to liquidity sources include a downturn in the north central Ohio market, difficult credit markets, aggressive competitor actions due to liquidity needs, or adverse regulatory actions. The Company's access to deposits may also be affected by the liquidity needs of its depositors. Our primary source of liquidity is our supply of deposits from consumer and commercial customers which are payable on demand or upon several days' notice, while by comparison, a substantial portion of its assets are loans, which cannot be called or sold in the same time frame. The Company historically has been able to replace maturing deposits and advances as necessary, but it might not be able to readily replace such funds in the future, if a large number of its depositors sought to withdraw their accounts,

regardless of the reason. A failure to maintain adequate liquidity could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company may not be able to successfully implement planned growth as part of its business strategy and may incur expenses and risks related to such growth efforts.

The Company's ability to grow successfully will depend on a variety of factors, including the continued availability of desirable business opportunities. There can be no assurance when or if such growth opportunities will be available.

During the past decade, the Company's growth has been accomplished through a combination of organic growth, de novo branching and acquisitions. The Company may acquire other financial institutions or parts of institutions in the future, open new branches, and consider new lines of business and new products or services. Such expansions of its business may involve a number of expenses and risks, generally not attendant with organic growth efforts.

Failure to manage the Company's growth effectively could have a material adverse effect on its business, future prospects, financial condition or results of operations and could adversely affect the Company's ability to successfully implement its business strategy.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to utilize alternative methods to complete financial transactions that historically have involved banks. Consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on the Company's business, financial condition, or results of operations.

The Company may need to raise capital in the future, but capital may not be available when needed or at acceptable terms.

Federal and state banking regulators require CSB and the Bank to maintain adequate levels of capital to support its operations. The Company may need to raise additional capital in the future to support its business or to finance acquisitions, if any, or the Company may otherwise elect to raise additional capital in anticipation of future growth opportunities.

The Company's ability to raise additional capital for CSB's or the Bank's needs will depend on conditions at that time in the capital markets, overall economic conditions, CSB's financial performance and condition, and other factors, many of which are outside the Company's control. There is no assurance that, if needed, CSB will be able to raise additional capital on favorable terms or at all. An inability to raise additional capital may have a material adverse effect on the Company's ability to expand operations, and on the Company's financial condition, results of operations and future prospects.

The Bank's ability to pay dividends is subject to regulatory limitations which, to the extent the Company requires such dividends in the future, may affect its ability to pay dividends or repurchase its stock.

As a financial holding company, CSB is a separate legal entity from the Bank and does not have significant operations of its own. Dividends from the Bank provide a significant source of capital for CSB. The availability of dividends from the Bank is limited by various statutes and regulations. The FRB or Ohio Division of Financial Institutions, as the Bank's primary regulators, could assert that the payment of dividends or other payments by the Bank are an unsafe or unsound practice. In the event the Bank is unable to pay dividends to CSB, CSB may not be able to pay its obligations as they become due, repurchase its stock, or pay dividends on its common stock. Consequently, the potential inability to receive dividends from the Bank could adversely affect CSB's business, financial condition,

results of operations or prospects.

The trading volume and price of CSB s common shares can be volatile.

CSB s common shares are very thinly traded and, therefore, susceptible to price swings. CSB s common shares are traded on the OTC market under the symbol CSBB; however, the investment community does not actively follow CSB s common shares. Given the lower trading volume of CSB s common shares, significant sales of CSB s common shares, or the expectation of significant sales, could cause CSB s share price to fall.

Risks Relating to Economic and Market Conditions

Changes in interest rates could adversely affect income and financial condition.

The Company's results of operation and financial condition are substantially dependent upon net interest income, which is the difference between interest earned from loans and investments and interest paid on interest bearing 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 FRB, as well as competitive factors. Changes in interest rates will influence the origination of loans, the purchase of investments, the level of prepayments on the Company's loans and investments, and the receipt of payments on mortgage-backed securities, resulting in fluctuations of income and cash flow. Changes in interest rates also can affect the value of loans, securities, mortgage servicing rights, and assets under management. Although fluctuations in market interest rates are neither completely predictable nor controllable, the Company's Asset Liability Committee (ALCO) meets periodically to monitor the Company's interest rate sensitivity position and oversee the Company's financial risk management by establishing policies and operating limits. Rising interest rates may adversely affect the ability of borrowers to pay the principal or interest on loans and may lead to an increase in nonperforming assets and a reduction of interest income recognized. Fixed rate investment securities will lose value during rising rates and certain investment securities, notably mortgage backed securities will experience a decrease in prepayments of principal and interest which will extend their maturity. For more information, see Item 7A, Quantitative and Qualitative Disclosures about Market Risk in this Annual Report on Form 10-K, which summarizes the Company's exposure to interest rate risk.

Difficult market conditions and economic trends could adversely affect the financial services industry and the Company's business.

The Company's success depends, to a certain extent, upon local and national economic and political conditions as well as governmental monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, money supply, and other factors beyond the Company's control may adversely affect asset quality, deposit levels, and loan demand and, therefore, the Company's earnings. Because the Company has a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral and the Company's ability to sell the collateral upon foreclosure. Adverse changes in the economy may also have a negative effect on the ability of borrowers to make timely repayments of their loans, which would have an adverse impact on the Company's earnings. If during a period of reduced real estate values, the Company is required to liquidate the collateral securing loans to satisfy the debt or to increase its allowance for loan losses, it could materially reduce the Company's profitability and adversely affect its financial condition. The substantial majority of the Company's loans are to individuals and businesses located in Holmes, Tuscarawas, Wayne, and Stark Counties in Ohio. Consequently, significant declines in north central Ohio real estate values could have a material adverse effect on the Company's business, financial condition, or results of operations.

Risks Related to Regulatory Environment and Legal Events

Legislative or regulatory changes or actions, or significant litigation, could adversely impact the Company or the businesses in which it is engaged.

The Company and its subsidiaries are subject to broad state and federal regulation, supervision, and legislation that govern almost all aspects of its operations. Laws and regulations may change from time to time and are primarily intended for the protection of consumers, depositors and the Deposit Insurance Fund, and not to benefit the Company's shareholders. Changes to laws and regulations or other actions by regulatory agencies may negatively impact the Company or its ability to increase the value of its business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by an institution, and the adequacy of an institution's allowance for loan losses. Additionally, actions by regulatory agencies or significant litigation against the Company could cause it to devote significant time and resources to defending the Company's business and may lead to penalties that materially affect the Company and its shareholders.

As discussed earlier, comprehensive revisions to the regulatory capital framework were included in the final rule adopted by the FRB in July 2014 based upon the Basel III capital standards. The final rule specifically revises what qualifies as regulatory capital, raises minimum requirements and introduces the concept of additional capital buffers. The need to maintain more and higher quality capital as well as greater liquidity going forward could limit the Company's business activities, including lending, and the Company's ability to expand, either organically or through acquisitions. In addition, the new liquidity standards could require the Company to increase the Company's holdings of highly liquid short-term investments, thereby reducing the Company's ability to invest in longer-term assets even if longer-term assets are more desirable from a balance sheet management perspective.

The Company may be a defendant from time to time in the future in a variety of litigation and other actions, which could have a material adverse effect on its business, financial condition, or results of operations.

The Company may be involved from time to time in the future in a variety of litigation arising out of its business. The Company's insurance may not cover all claims that may be asserted against it, and any claims asserted against the Company, regardless of merit or eventual outcome, may harm its reputation. Should the ultimate judgments or settlements in any litigation exceed the Company's insurance coverage, it could have a material adverse effect on the Company's business, financial condition, or results of operations. In addition, the Company may not be able to obtain appropriate types or levels of insurance in the future, nor may the Company be able to obtain adequate replacement policies with acceptable terms, if at all.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

The Bank operates fifteen banking centers as noted below:

Location	Address	Owned	Leased
Walnut Creek	4980 Old Pump Street, Walnut Creek, Ohio 44687	X	
Winesburg	2225 U.S. 62, Winesburg, Ohio 44690	X	
Sugarcreek	127 South Broadway, Sugarcreek, Ohio 44681	X	
Charm	4440 C.R. 70, Charm, Ohio 44617	X	
Clinton Commons	2102 Glen Drive, Millersburg, Ohio 44654		X
Berlin	4587 S.R. 39 Suite B, Berlin, Ohio 44610		X
South Clay	91 South Clay Street, Millersburg, Ohio 44654	X	
Shreve	333 West South Street, Shreve, Ohio 44676	X	
Orrville	119 West High Street, Orrville, Ohio 44667	X	
Gnadenhutten	100 South Walnut Street, Gnadenhutten, Ohio 44629	X	
New Philadelphia	635 West High Avenue, New Philadelphia, Ohio 44663	X	
North Canton	1210 North Main Street, North Canton, Ohio 44720	X	
Wooster	405 East Liberty Street, Wooster, Ohio 44691		X
Wooster	3562 Commerce Parkway, Wooster, Ohio 44691	X	
Operations Center	91 North Clay Street, Millersburg, Ohio 44654	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.

In the normal course of business, CSB is subject to pending and threatened legal actions, including claims for which material relief or damages are sought. Although CSB is not able to predict the outcome of such actions, after reviewing pending and threatened actions, management believes that the outcome of any or all such actions will not have a material adverse effect on the results of operations, the financial position or shareholders' equity of CSB. Further, there are no material legal proceedings in which any director, executive officer, principal shareholder or affiliate of CSB is a party or has a material interest that is adverse to CSB or the Bank.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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 21 of the Annual Report is incorporated herein by reference.

ISSUER PURCHASES OF EQUITY SECURITIES

On July 7, 2005, CSB filed a Current Report on Form 8-K with the SEC announcing that its Board of Directors approved a Stock Repurchase Program authorizing the repurchase of up to 10% of CSB's Common Shares then outstanding. Repurchases may be made from time to time as market and business conditions warrant, in the open market, through block purchases and in negotiated private transactions. The Stock Repurchase Program has no scheduled expiration date. CSB did not repurchase any of its Common Shares during 2017.

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, 2017, with the cumulative total return on the Standard and Poor's 500 Stock Index and the NASDAQ Community Bank Stock Index. The comparison assumes \$100 was invested on December 31, 2012 in CSB's Common Shares and in each of the indicated indices and assumes reinvestment of dividends.

	2012	2013	2014	2015	2016	2017
CSBB	\$100	\$116	\$139	\$160	\$209	\$229
S & P 500	100	132	151	153	171	208
NASDAQ Bank	100	142	148	162	225	231

ITEM 6. SELECTED FINANCIAL DATA.

Information contained in the section captioned "Selected Financial Data" on page 8 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 2017 Financial Review on pages 7 through 21 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 17 through 19 of the Annual Report is incorporated herein by reference.

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 23 through 59 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.

Disclosure Controls And Procedures

With the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, 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 on Form 10-K. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Information required by this item is set forth in the Report On Management's Assessment of Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm.

Changes In Internal Control Over Financial Reporting

There have been no changes during the quarter ended December 31, 2017, 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) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by Item 401 of Regulation S-K concerning the directors of the Company and the nominees for election as directors of the Company at the Annual Meeting of Shareholders to be held on April 25, 2018 (the 2018 Annual Meeting) is incorporated herein by reference from the information to be included under the captions Proposal 1 Election of Directors, Nominees for Election of Directors, and Directors Continuing in Office in the Company definitive proxy statement relating to the 2018 Annual Meeting to be filed with the SEC (2018 Proxy Statement) on or about March 16, 2018. The information required by Item 401 of Regulation S-K concerning the executive officers of the Company is incorporated herein by reference from the information to be included under the caption Executive Officers in the 2018 Proxy Statement.

Compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended

The information required by Item 405 of Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption, Section 16(a) Beneficial Ownership Reporting Compliance in the 2018 Proxy Statement.

Code of Ethics

The Company has adopted a Code of Ethics that applies to its senior financial officers, including the Chief Executive Officer and Chief Financial Officer. The Company has posted its Code of Ethics on its website at www.csbl.com; select Investor Relations/Corporate Profile/Governance Documents. The Company plans to satisfy SEC disclosure requirements regarding any amendments to, or waiver of, the Code of Ethics relating to its Chief Executive Officer or Chief Financial Officer, and persons performing similar functions, by posting such information on the Company s 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 by calling the Company during business hours or by sending a written request.

Procedures for Recommending Director Nominees

Information concerning the procedures by which shareholders may recommend nominees to the Company s Board of Directors can be found under the caption Shareholder Recommendations in the 2018 Proxy Statement. These procedures have not materially changed from those described in the 2018 Proxy Statement.

Audit Committee

The information required by Items 407(d)(4) and (d)(5) of Regulation S-K is incorporated herein by reference from the disclosure to be included under the sections Membership and Meetings of the Board and its Committees and the subsection Committees of the Board of Directors Audit Committee in the 2018 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 402 of Regulation S-K is incorporated herein by reference from the disclosure to be included under the sections Discussion of Executive Compensation Programs and Executive Compensation and Other Information and the subsection Directors Compensation under the section captioned Membership and Meetings of the Board and its Committees in the 2018 Proxy Statement.

The information required by Item 407(e)(4) of Regulation S-K is incorporated herein by reference from the disclosure to be included under the section Compensation Committee Interlocks and Insider Participation in the 2018 Proxy Statement.

The information required by Item 407(e)(5) of Regulation S-K is incorporated herein by reference from the disclosure to be included under the section The Compensation Committee Report in the 2018 Proxy Statement.

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

Equity Compensation Plan Information

None.

Security Ownership of Certain Beneficial Owners and Management

The information required by Item 403 of Regulation S-K is incorporated herein by reference from the disclosure to be included under the section *Beneficial Ownership of Management and Certain Beneficial Owners* in the 2018 Proxy Statement.

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

The information required by Item 404 of Regulation S-K is incorporated herein by reference from the disclosure to be included under the section *Certain Relationships and Related Transactions* in the 2018 Proxy Statement.

The information required by Item 407(a) of Regulation S-K is incorporated herein by reference from the disclosure to be included under the section *Membership and Meetings of the Board and its Committees* in the 2018 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item 14 is incorporated herein by reference from the disclosure to be included under the section *Independent Registered Public Accounting Firm Fees* and subsection *Audit Committee Procedures for Pre-Approval of Services by the Independent Public Accounting Firm* in the 2018 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

The Consolidated Financial Statements (and report thereon) listed below are incorporated by reference from CSB Bancorp, Inc.'s 2017 Annual Report as noted:

Report of Independent Registered Public Accounting Firm (S.R. Snodgrass) pgs. 23-24.

Consolidated Balance Sheets at December 31, 2017 and 2016 pg. 25.

Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015 pg. 26.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015 pg. 27.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017, 2016 and 2015 pg. 27.

Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 pgs. 28-29.

Notes to Consolidated Financial Statements pgs. 30-59.

(a)(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and have been omitted.

(a)(3) Exhibits

The documents listed below are filed with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference as noted:

Exhibit Number	Description of Document
3.1	<u>Amended Articles of Incorporation of CSB Bancorp, Inc., (incorporated by reference to registrant's Quarterly Report on Form 10-Q filed August 6, 2004, Exhibit 3.1, film number 04958544).</u>
3.1.1	<u>Amended form of Article Fourth of Amended Articles of Incorporation, as effective April 9, 1998 (incorporated by reference to registrant's Annual Report on Form 10-K filed on March 30, 1999, Exhibit 3.1.1, film number 99579149).</u>
3.2	<u>Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB).</u>
3.2.1	<u>Amendment to Article VIII to the Code of Regulations of CSB Bancorp, Inc. (incorporated by reference to registrant's Form DEF 14A filed on March 25, 2009, Appendix A, film number 09703970).</u>
4	Form of Certificate of Common Shares of CSB Bancorp, Inc. (incorporated by reference to Registrant's Form 10-SB). (P)
10.1	<u>CSB Bancorp, Inc. Share Incentive Plan (incorporated by reference to registrant's Form DEF 14A filing, filed on March 18, 2005, Appendix A, film number 03615627).</u>
10.2	<u>Employment Agreement between Paula Meiler and the Commercial and Savings Bank of Millersburg, Ohio (incorporated by reference to registrant's Annual Report on Form 10-K filed on March 25, 2013, Exhibit 10.2, film number 13714485).</u>
10.3	<u>Amendment to Employment Agreement between Paula Meiler and The Commercial & Savings Bank of Millersburg, Ohio (incorporated by reference to registrant's Annual Report on Form 10-K filed on March 25, 2013, Exhibit 10.3, film number 13714485).</u>
10.4	<u>CSB Bancorp, Inc. Annual Incentive Plan (incorporated by reference to registrant's Annual Report on Form 10-K filed on March 23, 2017, Exhibit 10.4, film number 17709193).</u>
13	<u>CSB Bancorp, Inc. 2017 Annual Report to Shareholders</u>
21	<u>Subsidiaries of CSB Bancorp, Inc.</u>
23.1	<u>Consent of S.R. Snodgrass, P.C.</u>
31.1	<u>Section 302 Certification of Chief Executive Officer</u>
31.2	<u>Section 302 Certification of Chief Financial Officer</u>
32.1	<u>Section 906 Certification of Chief Executive Officer</u>
32.2	<u>Section 906 Certification of Chief Financial Officer</u>
101	The following materials from CSB's 2017 Annual Report to Shareholders formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (ii) Consolidated Statements of Income (iii) Consolidated Statements of Comprehensive Income (iv) Consolidated Statements of Changes in Shareholders' Equity (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.

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

Date: March 16, 2018

Eddie L. Steiner, President and Chief Executive Officer

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 16, 2018.

Signatures	Title
/s/ Eddie L. Steiner	President and Chief Executive Officer
Eddie L. Steiner	
/s/ Paula J. Meiler	Senior Vice President and Chief Financial Officer
Paula J. Meiler	
/s/ Pamela S. Basinger	Vice President and Principal Accounting Officer
Pamela S. Basinger	
/s/ Robert K. Baker	Director
Robert K. Baker	
/s/ Vikki G. Briggs	Director
Vikki G. Briggs	
/s/ Julian L. Coblantz	Director
Julian L. Coblantz	

/s/ Ronald E. Holtman Director

Ronald E. Holtman

/s/ Cheryl M. Kirkbride Director

Cheryl M. Kirkbride

/s/ J. Thomas Lang Director

J. Thomas Lang

/s/ Jeffery A. Robb, Sr. Director

Jeffery A. Robb, Sr.

/s/ John R. Waltman Director

John R. Waltman