ASB FINANCIAL CORP
QUARTERLY RESULTS
(Unaudited)

For the Quarter Ended
March 31, 2014

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FINANCIAL INFORMATION

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)
(unaudited)

ASSETS		**March 31, 2014**		**June 30, 2013**
Cash and due from banks	$	3,161	$	2,822
Interest-bearing deposits in other financial institutions		5,312		9,838
Federal funds sold		-		1,428
Cash and cash equivalents		8,473		14,088
Time deposits with other financial institutions		249		1,003
Available-for-sale securities		36,945		36,534
Loans receivable - net		189,305		191,881
Premises and equipment		5,651		5,489
Federal Home Loan Bank stock (cost)		1,547		1,547
Interest receivable		954		982
Bank-owned life insurance		4,382		4,285
Goodwill		2,603		2,603
Core deposit intangible		15		26
Other real estate owned		475		593
Deferred federal income taxes		373		286
Accrued federal income taxes		(142)		-
Prepaid expenses and other assets		948		1,326
Total assets	**$**	**251,778**	**$**	**260,643**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits	$	209,117	$	220,531
Short term borrowings		1,875		687
Advances from the Federal Home Loan Bank		12,403		12,371
Other borrowings		-		3,000
Advances by borrowers for taxes and insurance		180		227
Accrued interest payable and other liabilities		2,414		2,511
Total liabilities		225,989		239,327
Shareholders' equity				
Preferred stock, 1,000,000 shares authorized, no par value; no shares issued		-		-
Common stock, 4,000,000 shares authorized, no par value; shares issued 03/31/14 - 2,243,426; 06/30/13 - 1,858,426		-		-
Additional paid-in capital		13,319		8,683
Retained earnings, restricted		15,755		15,857
Accumulated other comprehensive income		(62)		(1)
Treasury stock at cost				
Common; 264,392 shares		(3,223)		(3,223)
Total shareholders' equity		25,789		21,316
Total liabilities and shareholders' equity	**$**	**251,778**	**$**	**260,643**

ASB Financial Corp.
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	For the nine months ended March 31, 2014	For the nine months ended March 31, 2013	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Interest and dividend income				
Loans	$ 6,987	$ 7,234	$ 2,282	$ 2,510
Securities	724	816	239	234
Dividends on Federal Home Loan Bank stock	48	46	16	14
Deposits with financial institutions and other	7	8	1	5
Total interest income	7,766	8,104	2,538	2,763
Interest expense				
Deposits	1,256	1,396	400	450
Borrowings	474	290	143	133
Total interest expense	1,730	1,686	543	583
Net interest income	6,036	6,418	1,995	2,180
Provision for losses on loans	90	460	30	30
Net interest income after provision for losses on loans	5,946	5,958	1,965	2,150
Other income				
Customer service charges and other fees	514	512	162	156
Gain on sale of loans	91	103	58	39
Gain on sale of securities	(33)	1	(33)	-
Gain (loss) on sale of REO	(6)	5	1	(70)
Other operating	436	321	100	147
Total other income	1,002	942	288	272
General, administrative and other expense				
Employee compensation and benefits	2,666	2,428	993	870
Occupancy and equipment	620	491	223	159
Data processing	540	655	180	235
Professional fees	365	271	122	83
Printing and office supplies	99	97	43	38
OREO expenses	50	80	14	20
Franchise taxes	191	157	55	60
Federal deposit insurance premiums	159	165	57	61
Other operating	1,044	982	416	301
Total general, administrative and other expense	5,734	5,326	2,103	1,827
Earnings before income taxes	1,214	1,574	150	595
Federal income taxes				
Current	318	427	14	89
Deferred	-	-	-	-
Total federal income taxes	318	427	14	89
NET EARNINGS	**$ 896**	**$ 1,147**	**$ 136**	**$ 506**
EARNINGS PER SHARE				
Basic	**$ 0.52**	**$ 0.72**	**$ 0.07**	**$ 0.32**
Diluted	**$ 0.52**	**$ 0.72**	**$ 0.07**	**$ 0.32**

ASB FINANCIAL CORP.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands, except per share data)

	For the nine months ended March 31, 2014	For the nine months ended March 31, 2013	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Net Income	$ 896	$ 1,147	$ 136	$ 506
Other comprehensive income (loss) before tax effect:				
Unrealized gains (losses) on available-for-sale securities	(232)	(40)	194	(177)
Unrealized gains (losses) on derivatives used for cash flow hedges	141	(169)	45	-
Other comprehensive income (loss) before tax effect	(91)	(209)	239	(177)
Tax expense (credit)	(31)	(71)	81	(60)
Other comprehensive income (loss)	(60)	(138)	158	(117)
Comprehensive Income	**$ 836**	**$ 1,009**	**$ 294**	**$ 389**
Accumulated comprehensive income:				
Available-for-sale securities	$ 414	$ 854	$ 414	$ 854
Derivative financial instruments	(476)	(799)	(476)	(799)
Total accumulated comprehensive income	**$ (62)**	**$ 55**	**(62)**	**$ 55**

ASB FINANCIAL CORP.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the nine months ended March 31, 2014	2013
Operating Activities		
Net income	$ 896	$ 1,147
Items not requiring (providing) cash		
Depreciation and amortization	218	162
Provision for loan losses	90	460
Amortization of premiums and discounts on securities	234	325
Amortization of deferred loan fees, net	(112)	(232)
Amortization of core deposit intangible	11	26
Amortization of FHLB advances deferred prepayment penalties	111	109
Federal income taxes	(55)	(298)
Gain on sale of loans	(91)	(103)
Gain on sale of real estate acquired through foreclosure	(26)	(5)
(Gain) loss on sale of available-for-sale securites	33	(1)
Impairment of foreclosed assets held for sale	32	-
Cash surrender value of bank owned life insurance	(97)	(102)
Changes in:		
Interest receivable	28	(197)
Prepaid expenses and other assets	520	(3,654)
Interest payable and other liabilities	44	(260)
Net cash provided by operating activities	1,836	(2,623)
Investing Activities		
Net change in interest-bearing certificates of deposits	754	(1,002)
Purchases of available-for-sale securities	(6,159)	(4,801)
Proceeds from maturities and payments from of available-for-sale securities	5,248	8,191
(Increase) decrease in loans	2,414	(27,156)
Purchase of premises and equipment	(380)	(2,412)
Proceeds from sale of foreclosed assets	386	738
Net cash provided by (used in) investing activities	2,263	(26,442)
Financing Activities		
Net change in deposits	(11,414)	27,429
Net change in short term borrowings	1,188	1,514
Proceeds from Federal Home Loan Bank advances	-	3,800
Repayment of borowings and Federal Home Loan Bank advances	(3,079)	(3,885)
Issuance of stock	4,636	-
Dividends paid	(998)	(860)
Net decrease in advances from borrowers for taxes and insurance	(47)	(73)
Net cash provided by (used in) financing activities	(9,714)	27,925
Increase (Decrease) in Cash and Cash Equivalents	(5,615)	(1,140)
Cash and Cash Equivalents, Beginning of Period	14,088	16,514
Cash and Cash Equivalents, End of Period	$ $ 8,473	$ 15,374
Supplemental Cash Flows Information:		
Interest Paid	$ 1,704	$ 1,593
Income taxes paid (net of refunds)	-	$ 459
Real estate acquired in settlement of loans	$ 275	$ 467

1. Basis of Presentation

The accompanying unaudited consolidated financial statements do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of ASB Financial Corp. (the "Corporation") included in the Annual Report for the year ended June 30, 2013. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the financial statements have been included. The results of operations for the nine- and three-month periods ended March 31, 2014, are not necessarily indicative of the results which may be expected for the entire fiscal year. Certain reclassifications have been made to the prior fiscal year financial statements to conform to the current fiscal year financial statement presentation. These reclassifications had no effect on net income.

2. Principles of Consolidation

The accompanying consolidated financial statements include all of the accounts of the Corporation, American Savings Bank, fsb ("American") and American's wholly-owned subsidiaries, ASB Community Development Corp. and A.S.L. Services, Inc. All significant intercompany items have been eliminated.

3. Critical Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions. The financial position and results of operations can be affected by these estimates and assumptions and are integral to the understanding of reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Corporation's financial condition and results, and they require management to make estimates that are difficult, subjective, or complex. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, without limitation, changes in interest rates, changes in the performance of the economy or changes in the financial condition of borrowers. Management believes that its critical accounting policy focuses primarily on determining the allowance for loan losses. This critical accounting policy is discussed in detail in the Annual Report to Shareholders for the year ended June 30, 2013 in Note 1 of the Notes to Consolidated Financial Statements under "Allowance for Loan Losses." If management were to underestimate the allowance for loan losses, earnings could be reduced in the future as a result of greater than expected net loan losses. Overestimation of the required allowance could result in future increases in income, as loan loss recoveries increase or provisions for losses on loans decrease.

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period less shares in the ASB Financial Corp. Employee Stock Ownership Plan ("ESOP") that are unallocated and not committed to be released. At March 31, 2014 and 2013 all ESOP shares were allocated. Diluted earnings per common share include the dilutive effect of all additional potential common shares issuable under the Corporation's stock option plan. The computations are as follows:

	For the nine months ended March 31,		For the three months ended March 31,	
	2014	2013	2014	2013
Weighted-average common shares outstanding (basic)	1,726,114	1,594,034	1,979,034	1,594,034
Dilutive effect of assumed exercise of stock options	-	-	-	-
Weighted-average common shares outstanding (diluted)	1,726,114	1,594,034	1,979,034	1,594,034

Forward Looking Statements

Certain statements contained in this report that are not historical facts are forward-looking statements that are subject to certain risks and uncertainties. When used herein, the terms "anticipates," "plans," "expects," "believes," and similar expressions as they relate to the Corporation or its management are intended to identify such forward looking statements. The Corporation's actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, and rapidly changing technology affecting financial services.

Discussion of Financial Condition Changes from June 30, 2013 to March 31, 2014

On November 16, 2012, American Savings Bank acquired all of the outstanding shares of Cottage Savings Bank ("Cottage") in Cincinnati, Ohio. All Cottage locations and operations were merged into American and its two offices are now branches of American. The assets and liabilities acquired in the transaction are reflected in the June 30, 2013 and March 31, 2014 statements of condition.

At March 31, 2014, the Corporation's assets totaled $251.8 million, a decrease of $8.8 million, or 3.4%, compared to total assets at June 30, 2013. Cash and cash equivalents decreased by $5.6 million, or 39.7%, from June 30, 2013 levels, for a total of $8.5 million at March 31, 2014, a result of deposit liabilities decreasing by $11.4 million, or 5.2%, from June 30, 2013 levels, ending the quarter at $209.1 million. Maturing certificates of deposit was a majority of the decline in deposits.

Available-for-sale securities totaled $36.9 million at March 31, 2014, an increase of $0.4 million, or 1.1%, from June 30, 2013 levels. The security portfolio consists of U.S. government agencies, mortgage-backed securities of U.S. government-sponsored entities, and state and political subdivision issues.

Net loans receivable increased by $2.6 million, or 1.4%, during the nine-month period, resulting in total loans of $189.3 million at March 31, 2014. Loan disbursements amounted to $22.8 million for the nine-month period. Loan sales were approximately $6.1 million for the period. New loans originated consisted of 57% secured by one- to four-family residential real estate, 37% for commercial loans (including those secured by multifamily and nonresidential real estate) and 6% for consumer and other loans.

The allowance for loan losses, included in net loans receivable, totaled $1.9 million at March 31, 2014, a decrease of $0.3 million from June 30, 2013, continuing to represent 1.0% of total gross loans. Nonperforming and nonaccrual loans totaled $4.0 million at March 31, 2014, an increase of $0.3 million, or 8.4%, from the balance at June 30, 2013. The allowance for loan losses represented 47.8% and 57.6% of nonperforming loans at March 31, 2014 and June 30, 2013, respectively. At March 31, 2014, nonperforming loans consisted of $2.2 million in one- to four-family residential real estate loans and $1.8 million in nonresidential real estate, consumer and other loans. Management believes such loans are adequately collateralized and does not expect to incur material losses on such loans. Although management believes that its allowance for loan losses at March 31, 2014, was adequate based upon the available facts and circumstances, there can be no assurance that additions to such allowance will not be necessary in future periods, which could adversely affect the Corporation's results of operations.

Federal Home Loan Bank advances decreased slightly during the nine-month period ended March 31, 2014 as a result of the regular monthly principal payments on two of the advances. Except for the amortizing advances, no advances are scheduled to mature until December 2014. Other borrowings decreased $3.0 million while short term borrowings increased $1.2 million.

Discussion of Financial Condition Changes from June 30, 2013 to March 31, 2014 *(continued)*

Shareholders' equity totaled $25.8 million at March 31, 2014, an increase of $4.5 million, or 21.1%, from the June 30, 2013 level. The increase was due to additional stock being issued through the private placement offering during the period. Dividends totaled $0.54 per share for the nine months ended March 31, 2014.

American is required to meet minimum regulatory capital requirements promulgated by the Office of the Comptroller of the Currency ("OCC"). At March 31, 2014, American's regulatory capital exceeded the minimum capital requirements.

Comparison of Operating Results for the Nine-Month Periods Ended March 31, 2014 and 2013

General

Net income totaled $896,000 for the nine months ended March 31, 2014 compared to net income of $1,147,000 in the same period in 2013. The decrease in net earnings for the period is primarily a result of smaller net interest income and higher operating expenses. The reduced earnings were positively impacted by a reduction in the loan loss provision which was $370,000 less in the nine months ended March 31, 2014 as compared to the same period in 2013. The Corporation also had an increase of $60,000 in noninterest income, attributable to increase in other operating income.

Net Interest Income

Total interest income at $7,766,000 for the nine-month period ending March 31, 2014 represents 4.2% decrease from the same period last year. Interest income on the loan portfolio totaled $6,987,000 for the nine months ended March 31, 2014, a 3.4% decrease from the same nine-month period in 2013. The year-to-date average balance of the loan portfolio increased $5.8 million at March 31, 2014 as compared to the same nine-month period in 2013; however, the weighted-average yield declined 34 basis points. Interest income on cash and investments totaled $779,000 for the nine months ending March 31, 2014, down $91,000, or 11.1%, compared to the 2013 total. The average balance of the interest-bearing deposits and security portfolio decreased $10.2 million at March 31, 2014 as compared to the same nine-month period in 2013; and the weighted-average yield increased 19 basis points.

Interest expense on liabilities increased $44,000, or 2.6%, for the nine months ended March 31, 2014 compared to the same period in 2013. The Corporation experienced a $1.2 million decrease in the average balance of interest-cost liabilities and a 3 basis point increase in the weighted average cost. The average balance of deposits outstanding decreased $3.0 million from the period in the prior year and borrowings increased $1.8 million.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased $382,000, or 6.0%, to a total of $6,036,000 for the nine months ended March 31, 2014. The interest rate spread decreased to 3.41% for the nine months ended March 31, 2014, from 3.54% for the 2013 period, while the net interest margin decreased to 3.43% in the 2014 period compared to 3.58% in the 2013 period.

Provision for Losses on Loans

American charges a provision for losses on loans to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience, the volume and type of lending conducted by American, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to American's market area, and other factors related to the collectability of American's loan portfolio. American recorded a provision for losses on loans totaling $90,000 during the nine months ended March 31, 2014, a decrease of $370,000 from the comparable nine-month period in 2013. The provision for loan loss is determined based upon management's evaluation of the overall risk and outstanding balance of the loan portfolio. There can be no assurance that the loan loss allowance will be adequate to absorb losses on known nonperforming loans or that the allowance will be adequate to cover losses on nonperforming assets in the future, which could adversely affect the Corporation's results of operations.

Comparison of Operating Results for the Nine-Month Periods Ended March 31, 2014 and 2013 *(continued)*

Noninterest Income

Other income totaled $1,002,000 for the nine months ended March 31, 2014, an increase of $60,000, or 6.4%, from the same period in 2013. The increase was due to additional other operating income of $115,000 realized in the period; however, this increase was partially offset by losses on sale of other real estate owned and investments as well as smaller gains on sale of loans.

Noninterest Expense

Noninterest expense totaled $5,734,000 for the nine months ended March 31, 2014, an increase of $408,000, or 7.7%, over the same period in 2013. The higher expenses were primarily due to increased employee and benefit costs, an increase of $238,000, or 9.8%, and increase occupancy costs, an increase of $129,000, or 26.3%. These higher costs are a result of expansion of lending operations in the Bank's southwestern Ohio market.

Federal Income Taxes

The provision for federal income taxes totaled $318,000 for the nine months ended March 31, 2014 as compared to $427,000 for the same period in 2013, a decrease of $109,000, or 25.5%. The effective tax rates were 26.2% and 27.1% for the nine-month periods ended March 31, 2014 and 2013, respectively.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2014 and 2013

General

Net income totaled $136,000 for the three months ended March 31, 2014 compared to net income of $506,000 in the same period in 2013. The decrease in net earnings for the period is primarily a result of lower net interest income and costs associated with the expansion of lending operations and marketing in the Bank's southwestern Ohio market. The Corporation had an increase of $16,000 in noninterest income driven by changes in the gain on sale of loans, securities and other real estate owned.

Net Interest Income

Total interest income at $2,538,000 for the three-month period ending March 31, 2014 represents a decrease of $225,000, or 8.1%, from the three-month period ending March 31, 2013. Interest income on the loan portfolio declined $228,000, or 9.1%, while the investment portfolio increased $5,000, or 2.1%, as compared to the same three-month period in 2013. The quarter's average balance of the loan portfolio decreased $2.4 million at March 31, 2014 as compared to the same three-month period in 2013; however, the weighted-average yield also declined 41 basis points. The average balance of the interest-bearing deposits and security portfolio decreased $10.6 million during the three-month period ending March 31, 2014 as compared to the same three-month period in 2013; and the weighted-average yield increased 49 basis points.

Interest expense on liabilities decreased $40,000, or 6.9%, for the three months ended March 31, 2014 compared to the same period in 2013. The Corporation experienced a $20.2 million decrease in the average balance of interest-cost liabilities but a 2 basis point increase in the weighted average cost. The average balance of deposits outstanding decreased $19.8 million from the same quarter in the prior year while borrowings increased $0.4 million.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased $185,000, or 8.6%, to a total of $1,965,000 for the three months ended March 31, 2014. The interest rate spread decreased to 3.33% for the three months ended March 31, 2014, from 3.49% for the 2013 period, while the net interest margin decreased to 3.38% in the 2013 period, compared to 3.50% in the 2013 period.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2014 and 2013 *(continued)*

Provision for Losses on Loans

American recorded a provision for losses on loans totaling $30,000 during the three months ended March 31, 2014, no change from the comparable three-month period in 2013. The provision for loan loss is determined based upon management's evaluation of the overall risk and outstanding balance of the loan portfolio. There can be no assurance that the loan loss allowance will be adequate to absorb losses on known nonperforming loans or that the allowance will be adequate to cover losses on nonperforming assets in the future, which could adversely affect the Corporation's results of operations.

Noninterest Income

Other income totaled $288,000 for the three months ended March 31, 2014, an increase of $16,000, or 5.9%, from the same period in 2013. The Corporation had an increase of $19,000 in gain on sale of loans as compared to the three months ended March 31, 2013. Activity in the bond portfolio resulted in a recognized loss of $33,000 as compared to last year. Gain on sale of real estate improved $71,000 because the Corporation recorded $1,000 in gains this quarter as compared to the $70,000 loss last year.

Noninterest Expense

Noninterest expense totaled $2,103,000 for the three months ended March 31, 2014, an increase of $276,000, or 74.8%, over the same period in 2013. The Corporation expanded its lending operations and marketing efforts in the southwestern Ohio market during this quarter, causing the increase in operating or noninterest expense.

Federal Income Taxes

The provision for federal income taxes totaled $14,000 for the three months ended March 31, 2014 as compared to $89,000 for the same period in 2013. The effective tax rates were 9.3% and 15.0% for the three-month periods ended March 31, 2014 and 2013, respectively.