



**ASB FINANCIAL CORP
QUARTERLY RESULTS
(Unaudited)**

**For the Quarter Ended
March 31, 2015**

INDEX

	<u>Page</u>
FINANCIAL INFORMATION	
Consolidated Balance Sheets	1
Consolidated Statements of Income	2
Consolidated Statements of Comprehensive Income (Loss)	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	6

ASB FINANCIAL CORP.
Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

ASSETS	March 31, 2015	June 30, 2014
Cash and due from banks	\$ 1,660	\$ 1,550
Interest-bearing deposits in other financial institutions	4,316	4,731
Federal funds sold	-	1,903
Cash and cash equivalents	5,976	8,184
Time deposits with other financial institutions	-	249
Available-for-sale securities	32,574	35,923
Loans held for sale	4,824	3,750
Loans receivable, net of allowance for loan losses	191,042	187,508
Premises and equipment	5,737	5,668
Federal Home Loan Bank stock (cost)	1,547	1,547
Interest receivable	916	818
Bank-owned life insurance	4,511	4,414
Goodwill	2,603	2,603
Core deposit intangible	12	14
Other real estate owned	97	255
Deferred federal income taxes	-	71
Prepaid expenses and other assets	871	1,097
Total assets	\$ 250,710	\$ 252,101
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 197,765	\$ 205,481
Short term borrowings	4,034	373
Advances from the Federal Home Loan Bank	19,743	17,440
Other borrowings	325	-
Advances by borrowers for taxes and insurance	191	256
Accrued interest payable and other liabilities	2,436	2,546
Total liabilities	224,494	226,096
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 - 2,243,426	-	-
Additional paid-in capital	13,319	13,319
Retained earnings, restricted	15,877	15,812
Accumulated other comprehensive income	243	97
Treasury stock at cost		
Common; 264,392 shares	(3,223)	(3,223)
Total shareholders' equity	26,216	26,005
Total liabilities and shareholders' equity	\$ 250,710	\$ 252,101

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

	For the nine months ended March 31,		For the three months ended March 31,	
	2015	2014	2015	2014
Interest and dividend income				
Loans	\$ 7,120	\$ 6,987	\$ 2,361	\$ 2,282
Securities	686	724	220	239
Dividends on Federal Home Loan Bank stock	47	48	16	16
Deposits with financial institutions and other	<u>4</u>	<u>7</u>	<u>1</u>	<u>1</u>
Total interest income	7,857	7,766	2,598	2,538
Interest expense				
Deposits	1,075	1,256	333	400
Borrowings	<u>421</u>	<u>474</u>	<u>130</u>	<u>143</u>
Total interest expense	<u>1,496</u>	<u>1,730</u>	<u>463</u>	<u>543</u>
Net interest income	6,361	6,036	2,135	1,995
Provision for losses on loans	<u>90</u>	<u>90</u>	<u>30</u>	<u>30</u>
Net interest income after provision for loan losses	6,271	5,946	2,105	1,965
Noninterest Income				
Customer service charges and other fees	515	514	162	162
Gain on sale of loans	960	91	305	58
Gain on sale of securities	-	(33)	-	(33)
Gain (loss) on sale of REO	(43)	(6)	4	1
Other operating	<u>203</u>	<u>436</u>	<u>67</u>	<u>100</u>
Total noninterest income	1,635	1,002	538	288
Noninterest Expense				
Employee compensation and benefits	3,244	2,666	1,134	993
Occupancy and equipment	572	620	190	223
Data processing	553	540	179	180
Professional fees	439	365	114	122
Printing and office supplies	84	99	32	43
OREO expenses	23	50	3	14
Franchise taxes	160	191	50	55
Federal deposit insurance premiums	135	159	41	57
Other operating	<u>1,183</u>	<u>1,044</u>	<u>323</u>	<u>416</u>
Total noninterest expense	<u>6,393</u>	<u>5,734</u>	<u>2,066</u>	<u>2,103</u>
Income before income taxes	1,513	1,214	577	150
Provision for federal income taxes	<u>380</u>	<u>318</u>	<u>150</u>	<u>14</u>
NET INCOME	<u>\$ 1,133</u>	<u>\$ 896</u>	<u>\$ 427</u>	<u>\$ 136</u>
Basic Earnings per Share	<u>\$ 0.57</u>	<u>\$ 0.52</u>	<u>\$ 0.22</u>	<u>\$ 0.07</u>
Diluted Earnings per Share	<u>\$ 0.57</u>	<u>\$ 0.52</u>	<u>\$ 0.22</u>	<u>\$ 0.07</u>

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

	For the nine months ended March 31,		For the three months ended March 31,	
	2015	2014	2015	2014
Net Income	\$ 1,133	\$ 896	\$ 427	\$ 136
Other comprehensive income (loss) net of taxes:				
Unrealized gains (losses) on available-for-sale securities	72	(153)	41	129
Unrealized gains (losses) on derivatives used for cash flow hedges	<u>75</u>	<u>93</u>	<u>(14)</u>	<u>29</u>
Other comprehensive income (loss) before tax effect	<u>147</u>	<u>(60)</u>	<u>27</u>	<u>158</u>
Comprehensive Income	\$ <u>1,280</u>	\$ <u>836</u>	\$ <u>454</u>	\$ <u>294</u>
Tax expense (credit):				
Unrealized gains (losses) on available-for-sale securities	37	(79)	22	65
Unrealized gains (losses) on derivatives used for cash flow hedges	<u>38</u>	<u>48</u>	<u>(7)</u>	<u>16</u>
Total tax effect	\$ <u>75</u>	\$ <u>(31)</u>	\$ <u>15</u>	\$ <u>81</u>
Accumulated comprehensive income:				
Available-for-sale securities	\$ 644	\$ 414	\$ 644	\$ 414
Derivative financial instruments	<u>(400)</u>	<u>(476)</u>	<u>(400)</u>	<u>(476)</u>
Total accumulated comprehensive income	\$ <u>244</u>	\$ <u>(62)</u>	\$ <u>244</u>	\$ <u>(62)</u>

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

	For the nine months ended March 31,	
	2015	2014
Operating Activities		
Net income	\$ 1,133	\$ 896
Items not requiring (providing) cash		
Depreciation and amortization	236	218
Provision for loan losses	90	90
Amortization of premiums and discounts on securities	179	234
Amortization of deferred loan fees, net	(110)	(112)
Amortization of core deposit intangible	2	11
Amortization of FHLB advances deferred prepayment penalties	103	111
Federal income taxes	(4)	(55)
Gain on sale of loans	(960)	(91)
Gain on sale of real estate acquired through foreclosure	16	(26)
(Gain) loss on sale of available-for-sale securities	-	33
Impairment of foreclosed assets held for sale	27	32
Cash surrender value of bank owned life insurance	(97)	(97)
Changes in:		
Loans held for sale	(1,074)	-
Interest receivable	(98)	28
Prepaid expenses and other assets	226	520
Interest payable and other liabilities	3	44
Net cash provided by operating activities	(328)	1,836
Investing Activities		
Net change in interest-bearing certificates of deposits	249	754
Purchases of available-for-sale securities	(461)	(6,159)
Proceeds from maturities and payments from of available-for-sale securities	3,739	5,248
(Increase) decrease in loans	(2,640)	2,414
Purchase of premises and equipment	(305)	(380)
Proceeds from sale of foreclosed assets	201	386
Net cash provided by (used in) investing activities	783	2,263
Financing Activities		
Net change in deposits	(7,716)	(11,414)
Net change in short term borrowings	3,661	1,188
Proceeds from Federal Home Loan Bank advances	4,325	-
Repayment of borrowings and Federal Home Loan Bank advances	(1,800)	(3,079)
Issuance of stock	-	4,636
Dividends paid	(1,068)	(998)
Net decrease in advances from borrowers for taxes and insurance	(65)	(47)
Net cash provided by (used in) financing activities	(2,663)	(9,714)
Increase (Decrease) in Cash and Cash Equivalents	(2,208)	(5,615)
Cash and Cash Equivalents, Beginning of Period	8,184	14,088
Cash and Cash Equivalents, End of Period	\$ 5,976	\$ 8,473
Supplemental Cash Flows Information:		
Interest Paid	\$ 1,543	\$ 1,704
Income taxes paid (net of refunds)	\$ 180	\$ -
Real estate acquired in settlement of loans	\$ 86	\$ 275

ASB FINANCIAL CORP.
Notes to Consolidated Financial Statements

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, 2014. 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, 2015, 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 subsidiary, ASB Community Development Corp. 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, 2014 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, 2015 and 2014 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,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Weighted-average common shares outstanding (basic)	1,979,034	1,726,114	1,979,034	1,979,034
Dilutive effect of assumed exercise of stock options	-	-	-	-
Weighted-average common shares outstanding (diluted)	<u>1,979,034</u>	<u>1,726,114</u>	<u>1,979,034</u>	<u>1,979,034</u>

ASB FINANCIAL CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the nine- and three-month periods ended March 31, 2015 and 2014

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, 2014 to March 31, 2015

At March 31, 2015, the Corporation's assets totaled \$250.7 million, a decrease of \$1.4 million, or 0.6%, compared to total assets at June 30, 2014. Cash and cash equivalents decreased by \$2.2 million, or 26.8%, from June 30, 2014 levels, for a total of \$6.0 million at March 31, 2015, a result of deposit liabilities decreasing by \$7.7 million, or 3.7%, from June 30, 2014 levels, ending the quarter at \$197.8 million. Maturing certificates of deposit was a majority of the decline in deposits.

Available-for-sale securities totaled \$32.6 million at March 31, 2015, a decrease of \$3.3 million, or 9.2%, from June 30, 2014 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 \$3.5 million, or 1.9%, during the nine-month period, resulting in total loans of \$191.0 million at March 31, 2015. Loan disbursements amounted to \$19.6 million for the nine-month period. New loans originated consisted of 70% secured by one- to four-family residential real estate, 23% for commercial loans (including those secured by multifamily and nonresidential real estate) and 7% for consumer and other loans. Loans held for sale increased \$1.0 million, or 26.3%, compared to June 30, 2014.

The allowance for loan losses, included in net loans receivable, totaled \$1.7 million at March 31, 2015, a decrease of \$0.2 million from June 30, 2014, representing 0.9% of total gross loans. Nonperforming and nonaccrual loans totaled \$2.1 million at March 31, 2015, a decrease of \$1.7 million, or 45.1%, from the balance at June 30, 2014. The allowance for loan losses represented 85.1% and 52.5% of nonperforming loans at March 31, 2015 and June 30, 2014, respectively. At March 31, 2015, nonperforming loans consisted of \$0.8 million in one- to four-family residential real estate loans and \$1.3 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, 2015, 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.

Shareholders' equity totaled \$26.2 million at March 31, 2015, an increase of \$0.2 million, or 0.8%, from the June 30, 2014 level. Dividends totaled \$0.54 per share for the nine months ended March 31, 2015.

American is required to meet minimum regulatory capital requirements promulgated by the Office of the Comptroller of the Currency ("OCC"). At March 31, 2015, American's regulatory capital exceeded the minimum capital requirements.

ASB FINANCIAL CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the nine- and three-month periods ended March 31, 2015 and 2014

Comparison of Operating Results for the Nine-Month Periods Ended March 31, 2015 and 2014

General

Net income totaled \$1.1 million for the nine months ended March 31, 2015 compared to net income of \$0.9 million in the same period in 2014. The increase in net earnings was the result of increased noninterest income and net interest income, partially offset by increased noninterest expenses. Noninterest income increased by \$0.6 million, or 63.2%, compared to nine months ended March 31, 2014, primarily a result of the bank expanding its secondary market loan operations. Net interest income increased \$0.3 million, or 5.4%, with interest expenses declining \$0.2 million and interest income increasing \$0.1 million. Noninterest expenses increased \$0.7 million, or 11.5%, due to increased personnel costs with the growth of the secondary market loan operations. The provision for federal income tax increased by \$0.1 million, or 19.5%.

Net Interest Income

Total interest income at \$7.9 million for the nine-month period ending March 31, 2015 represents 1.2% increase from the same period last year. Interest income on the loan portfolio totaled \$7.1 million for the nine months ended March 31, 2015, a 1.9% increase over the same nine-month period in 2014. The year-to-date average balance of the loan portfolio decreased \$1.7 million at March 31, 2015 as compared to the same nine-month period in 2014; however, the weighted-average yield increased 13 basis points. Interest income on cash and investments totaled \$0.7 million for the nine months ending March 31, 2015, down 5.4%, compared to the 2014 total. The average balance of the interest-bearing deposits and security portfolio decreased \$4.8 million at March 31, 2015 as compared to the same nine-month period in 2014; and the weighted-average yield increased 13 basis points. The overall yield on interest earning assets increased 18 basis points as compared to March 31, 2014.

Interest expense on liabilities decreased \$0.2 million, or 13.5%, for the nine months ended March 31, 2015 compared to the same period in 2014. The Corporation experienced a \$6.6 million, or 3.0%, decrease in the average balance of interest-cost liabilities and an 11 basis point decrease in the weighted average cost. The average balance of deposits outstanding decreased \$11.9 million from the period in the prior year and borrowings increased \$5.3 million.

As a result of the foregoing changes in interest income and interest expense, net interest income increased \$0.3 million, or 5.4%, to a total of \$6.4 million for the nine months ended March 31, 2015. The interest rate spread increased to 3.61% for the nine months ended March 31, 2015, from 3.32% for the 2014 period, while the net interest margin increased to 3.65% in the 2015 period compared to 3.37% in the 2014 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-month periods ended March 31, 2015 and March 31, 2014. 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

Noninterest income totaled \$1.6 million for the nine months ended March 31, 2015, an increase of \$0.6 million, or 63.2%, from the same period in 2014. The increase was due to gain on sales of loans totaling \$1.0 million in the nine months in 2015 created by the expansion of its mortgage origination division in 2014, as compared to \$0.1 million in 2014. This increase was partially offset by lower other operating income and losses on sale of other real estate owned.

ASB FINANCIAL CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the nine- and three-month periods ended March 31, 2015 and 2014

Comparison of Operating Results for the Nine-Month Periods Ended March 31, 2015 and 2014 (continued)

Noninterest Expense

Noninterest expense totaled \$6.4 million for the nine months ended March 31, 2015, an increase of \$0.7 million, or 11.5%, over the same period in 2014. The higher expenses were primarily due to the cost of expanding its southwestern Ohio presence.

Federal Income Taxes

The provision for federal income taxes totaled \$380,000 for the nine months ended March 31, 2015 as compared to \$318,000 for the same period in 2014, a decrease of \$62,000, or 19.5%. The effective tax rates were 25.1% and 26.2% for the nine-month periods ended March 31, 2015 and 2014, respectively.

Comparison of Operating Results for the Three-month Periods Ended March 31, 2015 and 2014

General

Net income totaled \$427,000 for the three months ended March 31, 2015 compared to net income of \$136,000 in the same period in 2014. The increase in net earnings for the period is primarily a result of improved net interest income and increased noninterest income.

Net Interest Income

Total interest income at \$2.6 million for the three-month period ended March 31, 2015 represents a 2.4% increase from the same period last year. Interest income on the loan portfolio totaled \$2.4 million for the three months ended March 31, 2015, a 3.5% increase from the same three-month period in 2014. The quarterly average balance of the loan portfolio decreased \$0.6 million at March 31, 2015 as compared to the same three-month period in 2014; however, the weighted-average yield increased 18 basis points. Interest income on cash and investments totaled \$237,000 for the three months ending March 31, 2015, down \$19,000, or 7.4%, from the 2014 total. The average balance of the interest-bearing deposits and security portfolio decreased \$5.2 million at March 31, 2015 as compared to the same three-month period in 2014; but the weighted-average yield increased 13 basis points. The overall yield on interest earning assets increased 21 basis points as compared to March 31, 2014.

Interest expense on liabilities decreased \$80,000, or 14.7%, for the three months ended March 31, 2015 compared to the same period in 2014. The Corporation experienced an \$8.2 million decrease in the average balance of interest-cost liabilities and an 11 basis point decrease in the weighted average cost. The average balance of deposits outstanding decreased \$11.6 million from the same period in the prior year and borrowings increased \$3.4 million.

As a result of the foregoing changes in interest income and interest expense, net interest income increased \$140,000, or 7.0%, to a total of \$2.1 million for the three months ended March 31, 2015. The interest rate spread increased to 3.66% for the three months ended March 31, 2015, from 3.34% for the 2014 period, while the net interest margin increased to 3.71% in the 2015 period compared to 3.38% in the 2014 period.

Provision for Losses on Loans

American recorded a provision for losses on loans totaling \$30,000 during the three months ended March 31, 2015, same as recorded in the comparable three-month period in 2014. 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.

ASB FINANCIAL CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the nine- and three-month periods ended March 31, 2015 and 2014

Comparison of Operating Results for the Three-month Periods Ended March 31, 2015 and 2014 (continued)

Noninterest Income

Noninterest income totaled \$538,000 for the three months ended March 31, 2015, an increase of \$250,000, or 86.8%, from the same period in 2014. The increase was due to the increase in gain on sale of loans generated by the mortgage origination division; however, this increase was partially offset by declines in other operating income.

Noninterest Expense

Noninterest expense totaled \$2.1 million for the three months ended March 31, 2015, a decrease of 1.8%, from the same period in 2014. Higher employee and benefit costs, an increase of \$141,000, or 14.2%, are a result of expansion of lending operations in the Bank's southwestern Ohio market. The company was able offset these higher costs with reductions in the other noninterest expense classifications.

Federal Income Taxes

The provision for federal income taxes totaled \$150,000 for the three months ended March 31, 2015 as compared to \$14,000 for the same period in 2014, an increase of \$136,000. The effective tax rates were 26.0% and 9.3% for the three-month periods ended March 31, 2015 and 2014, respectively.