ASB FINANCIAL CORP
QUARTERLY RESULTS
(Unaudited)

For the Quarter Ended
September 30, 2013

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FINANCIAL INFORMATION

ASB FINANCIAL CORP.
Consolidated Statements of Financial Condition
(In thousands, except share data)
(unaudited)

ASSETS	September 30, 2013	June 30, 2013
Cash and due from banks	$ 2,294	$ 2,822
Interest-bearing deposits	7,313	9,838
Federal funds sold	822	1,428
Cash and cash equivalents	10,429	14,088
Interest-bearing time deposits in banks	1,004	1,003
Available-for-sale securities	37,804	36,534
Loans receivable – net	191,317	191,881
Premises and equipment	5,462	5,489
Federal Home Loan Bank stock	1,547	1,547
Interest receivable	1,027	982
Bank owned life insurance	4,318	4,285
Goodwill	2,603	2,603
Core deposit intangible	17	26
Other real estate owned	426	593
Deferred federal income taxes	541	286
Other assets	1,045	1,326
Total assets	$ 257,540	$ 260,643
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	$ 217,558	$ 220,531
Short term borrowings	891	687
Federal Home Loan Bank advances	12,382	12,371
Other borrowings	3,000	3,000
Advances from borrowers for taxes and insurance	270	227
Interest payable and other liabilities	2,356	2,511
Total liabilities	236,457	239,327
Stockholders' equity		
Preferred stock, no par value, authorized 1,000,000 shares; no issued	-	-
Common stock, no par value, authorized 4,000,000 shares; issued 1,858,426 shares	-	-
Additional paid-in capital	8,683	8,683
Retained earnings	15,944	15,857
Accumulated other comprehensive income (loss)	(321)	(1)
Treasury stock, at cost		
Common; 264,392 shares	(3,223)	(3,223)
Total stockholders' equity	21,083	21,316
Total liabilities and stockholders' equity	$ 257,540	$ 260,643

ASB FINANCIAL CORP.
Consolidated Statement of Earnings
(in thousands, except per share data)
(unaudited)

	For the three months ended September 30, 2013	2012
Interest and Dividend Income		
Loans	$ 2,369	$ 2,300
Securities	229	290
Dividends on Federal Home Loan Bank stock	16	14
Deposits with financial institutions and other	4	4
Total interest and dividend income	2,618	2,608
Total interest expense		
Deposits	435	459
Borrowings	167	74
Total interest expense	602	533
Net Interest Income	2,016	2,075
Provision for Loan Losses	10	90
Net Interest Income After Provision for Loan Losses	2,006	1,985
Noninterest Income		
Customer service charges and other fees	176	174
Net realized gains on sales of loans	7	23
Net realized gains on sales of securities	-	-
Net realized gains (losses) on sales of OREO	(11)	36
Other	107	89
Total noninterest income	279	322
Noninterest Expense		
Salaries and employee benefits	841	712
Net occupancy and equipment expense	191	150
Data processing fees	186	217
Professional fees	112	95
State franchise taxes	64	58
Other operating expenses	377	394
Total noninterest expense	1,771	1,626
Income Before Income Taxes	514	681
Provision for Federal Income Taxes	142	198
Net Income	$ 372	$ 483
Basic Earnings Per Share	$ 0.23	$ 0.30
Diluted Earnings Per Share	$ 0.23	$ 0.30

ASB FINANCIAL CORP.
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	For the three months ended September 30, 2013	2012
Net Income	$ 372	$ 483
Other comprehensive income (loss), net of taxes (benefits):		
Unrealized gains (losses) on available-for-sale securities, net of taxes of $(164) and $88 for 2013 and 2012, respectively	(320)	172
Unrealized gains (losses) on derivatives used for cash flow hedges, net of taxes of $0 and $(40) for 2013 and 2012, respectively	-	(79)
Other comprehensive income (loss)	(320)	93
Comprehensive income	$ 52	$ 576

	2013	2012
Accumulated comprehensive income:		
Available-for-sale securities	$ 248	$ 1,052
Derivative financial instruments	(569)	(766)
Total accumulated comprehensive income	$ (321)	$ 286

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

	For the three months ended September 30, 2013	2012
Operating Activities		
Net income	$ 372	$ 483
Items not requiring (providing) cash		
Depreciation and amortization	70	47
Provision for loan losses	10	90
Amortization of premiums and discounts on securities	97	106
Amortization of deferred loan fees, net	(41)	(39)
Amortization of core deposit intangible	9	9
Amortization of Federal Home Loan Bank advances deferred prepayment penalties	37	36
Deferred income taxes	(90)	(89)
Gain on sale of loans	(7)	(23)
Gain on sale of real estate acquired through foreclosure	(21)	(35)
Impairment of foreclosed assets held for sale	32	-
Cash surrender value of bank owned life insurance	(33)	(33)
Changes in:		
Interest receivable	(45)	(175)
Prepaid expenses and other assets	281	(623)
Interest payable and other liabilities	(153)	932
Net cash provided by operating activities	518	686
Investing Activities		
Net change in interest-bearing certificates of deposits	(1)	-
Purchases of available-for-sale securities	(3,746)	(1,053)
Proceeds from maturities and payments from of available-for-sale securities	1,894	2,648
Net change in loans	548	(2,050)
Purchase of premises and equipment	(43)	(81)
Proceeds from sale of foreclosed assets	210	282
Net cash provided by (used in) investing activities	(1,138)	(254)
Financing Activities		
Net increase in deposits	(2,973)	2,069
Net increase (decrease) in short term borrowings	204	104
Repayment of Federal Home Loan Bank advances	(26)	(27)
Dividends paid	(287)	(287)
Net increase in advances from borrowers for taxes and insurance	43	(22)
Net cash provided by (used in) financing activities	(3,039)	1,837
Increase (Decrease) in Cash and Cash Equivalents	(3,659)	2,269
Cash and Cash Equivalents, Beginning of Period	14,088	16,514
Cash and Cash Equivalents, End of Period	$ 10,429	$ 18,783
Supplemental Cash Flows Information:		
Interest Paid	$ 1,712	$ 2,149
Income taxes paid (net of refunds)	$ -	$ 198
Real estate acquired in settlement of loans	$ 54	$ 151
Dividends payable	$ 287	$ 287

1. <u>Basis of Presentation</u>

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 three-month periods ended September 30, 2013, 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. <u>Principles of Consolidation</u>

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. <u>Critical Accounting Policies</u>

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 Company'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 "Loans and 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. <u>Earnings Per Share</u>

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 September 30, 2013 and 2012 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 three months ended September 30	
	2013	**2012**
Weighted-average common shares outstanding (basic)	1,594,034	1,594,034
Dilutive effect of assumed exercise of stock options	-	-
Weighted-average common shares outstanding (diluted	1,594,034	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 September 30, 2013

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 September 30 and June 30, 2013 statements of condition.

At September 30, 2013, the Corporation's assets totaled $257.5 million, an decrease of $3.1 million, or 1.2%, over total assets at June 30, 2013.

Cash and cash equivalents decreased by $3.7 million, or 26.2%, from June 30, 2013 levels, to a total of $10.4 million at September 30, 2013. Available for sale securities totaled $37.8 million at September 30, 2013, an increase of $1.3 million, or 3.6%, from June 30, 2013 levels. The increase was a result of investing low yield cash equivalents into higher yielding securities. 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 decreased by $0.6 million, or 0.3%, during the three-month period, resulting in a total loans of $191.3 million at September 30, 2013. Loan disbursements amounted to $8.3 million for the three-month period. Loan sales were approximately $1.6 million for the period. New loans originated consisted of 65% secured by one- to four-family residential real estate, 28% for commercial loans (including those secured by multifamily and nonresidential real estate) and 7% for consumer and other loans.

The allowance for loan losses, included in net loans receivable, totaled $2.1 million at September 30, 2013, a decrease of $0.1 million from June 30, 2013, continuing to represent 1.1% of total gross loans. Nonperforming and nonaccrual loans totaled $4.3 million at September 30, 2013, an increase of $0.6 million, or 16.2% from the balance at June 30, 2013. The allowance for loan losses represented 48.8% and 59.5% of nonperforming loans at September 30, 2013 and June 30, 2013, respectively. At September 30, 2013, nonperforming loans consisted of $2.0 million in one- to four-family residential real estate loans and $2.3 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 September 30, 2013, 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.

Deposits totaled $217.6 million at September 30, 2013, a decrease of $2.9 million, or 1.3%, from June 30, 2013 levels.

Federal Home Loan Bank advances decreased slightly during the three-month period ended September 30, 2013 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.

Discussion of Financial Condition Changes from June 30, 2013 to September 30, 2013 (continued)

Shareholders' equity totaled $21.1 million at September 30, 2013, a decrease of $0.2 million, or 0.9%, from the June 30, 2013 level. The decrease was due to the decline in accumulated comprehensive income as a result of change in the fair market value of the available-for-sale securities portfolio. Dividends totaled $0.18 per share for the three months ended September 30, 2013.

American is required to meet minimum regulatory capital requirements promulgated by the Office of the Comptroller of the Currency ("OCC"). At September 30, 2013, American's regulatory capital exceeded the minimum capital requirements.

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2013 and 2012

General

Net income totaled $372,000 for the three months ended September 30, 2013 compared to net income of $483,000 in the same period in 2012. The decrease in net earnings for the period is primarily a result of increased non-interest expenses. The loan loss provision was $80,000 less in the three months ended September 30, 2013 as compared to the same period in 2012. The Corporation had a decrease of $43,000 in noninterest income, attributable to declines in gains on sale of loans and other real estate owned.

Net Interest Income

Total interest income at $2.6 million for the three-month period ending September 30, 2013 represents substantially no change from the same period last year. Interest income on the loan portfolio totaled $2.4 million for the three months ended September 30, 2013 as compared to $2.3 million for the same three-month period in 2012. The year-to-date average balance of the loan portfolio increased $22.7 million at September 30, 2013 as compared to the same three-month period in 2012; however, the weighted-average yield declined 49 basis points. Interest income on cash and investments totaled $290,000 for the three months ending September 30, 2013, down $59,000, or 19.2% compared to the 2012 total. The average balance of the interest bearing deposits and security portfolio decreased $11.2 million at September 30, 2013 as compared to the same three-month period in 2012; and the weighted-average yield declined 1 basis point.

Interest expense on deposits decreased by $24,000, or 20.0%, for the three months ended September 30, 2013 compared to the same period in 2012 even though the bank experienced a $14.5 million increase in the average balance of deposits outstanding period to period. . This decrease was due primarily to a 10 basis point decrease in the weighted-average cost of deposits, to 0.80% for the three months ended September 30, 2013. Interest expense on borrowings increased by $93,000, due to factoring in the amortization of the penalty for prepaying FHLB advances that occurred after the quarter ended September 30, 2012

As a result of the foregoing changes in interest income and interest expense, net interest income decreased $59,000, or 2.8%, to a total of $2.0 million for the three months ended September 30, 2013. The interest rate spread decreased to 3.30% for the three months ended September 30, 2013, from 3.56% for the 2012 period, while the net interest margin decreased to 3.34% in the 2013 period, compared to 3.61% in the 2012 period.

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2013 and 2012 (continued)

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 collectibility of American's loan portfolio. American recorded a provision for losses on loans totaling $10,000 during the three months ended September 30, 2013, a decrease of $80,000 from the comparable three-month period in 2012. 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 $279,000 for the three months ended September 30, 2013, a decrease of $43,000, or 13.4%, from the same period in 2012. The decrease was due to decreases of $47,000 in gain on sale of foreclosed real estate and $15,000 in gain on sale of loans. These losses were partially offset by an increase $18,000 in other operating income.

Noninterest Expense

Noninterest expense totaled $1.8 million for the three months ended September 30, 2013, an increase of $0.2 million, or 12.5%, over the same period in 2012. The higher expenses were primarily due to charges related to the larger branch network following the acquisition of Cottage. The increase was comprised of increases of $129,000, or 18.1%, in employee compensation and benefits and $41,000, or 27.3%, in occupancy and equipment.

Federal Income Taxes

The provision for federal income taxes totaled $142,000 for the three months ended September 30, 2013 as compared to $198,000 for the same period in 2012, a decrease of $56,000, or 28.3%. The effective tax rates were 27.6% and 29.1% for the three-month periods ended September 30, 2013 and 2012, respectively.