ASB
FINANCIAL CORP
QUARTERLY RESULTS
(Unaudited)

For the Quarter Ended
December 31, 2009

INDEX

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

ASSETS	**December 31, 2009**	**June 30, 2009**
Cash and due from banks	$ 1,114	$ 1,415
Interest-bearing deposits in other financial institutions	2,861	5,301
Cash and cash equivalents	3,975	6,716
Certificates of deposit in other financial institutions	249	249
Available-for-sale securities	32,661	35,333
Loans receivable - net	170,596	163,695
Office premises and equipment - at depreciated cost	2,470	2,400
Federal Home Loan Bank stock - at cost	1,327	1,327
Accrued interest receivable	1,108	1,142
Prepaid expenses and other assets	2,137	1,259
Bank-owned life insurance	3,807	3,747
Core deposit intangible	125	141
Prepaid federal income taxes	-	39
Deferred federal income taxes	619	904
Total assets	**$219,074**	**$216,952**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$175,697	$173,864
Advances from the Federal Home Loan Bank	21,000	21,062
Short-term borrowings	857	896
Advances by borrowers for taxes and insurance	221	204
Accrued interest payable and other liabilities	1,710	1,908
Total liabilities	199,485	197,934
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; 1,858,426 and 1,855,161 shares issued at December 31, 2009 and June 30, 2009, respectively	-	-
Additional paid-in capital	8,683	8,683
Retained earnings, restricted	13,788	13,359
Accumulated comprehensive income (loss), unrealized gains (losses) on securities designated as available for sale, net of related tax effects	334	192
Less 263,468 shares of treasury stock at December 31, 2009 and June 30 2009 - at cost	(3,216)	(3,216)
Total shareholders' equity	19,589	19,018
Total liabilities and shareholders' equity	**$219,074**	**$216,952**

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

	For the six months ended December 31, 2009	For the six months ended December 31, 2008	For the three months ended December 31, 2009	For the three months ended December 31, 2008
Interest income				
Loans	$5,239	$5,430	$2,623	$2,718
Cash and available for sale securities	707	814	374	420
Total interest income	5,946	6,244	2,997	3,138
Interest expense				
Deposits	1,586	2,369	757	1,112
Borrowings	403	471	202	229
Total interest expense	1,989	2,840	959	1,341
Net interest income	3,957	3,404	2,038	1,797
Provision for losses on loans	535	48	325	27
Net interest income after provision for losses on loans	3,422	3,356	1,713	1,770
Other income				
Loss on sale of REO	(116)	(1)	(97)	(1)
Gain (loss) on sale of investments and loans	207	(480)	98	3
Other operating	591	610	293	260
Total other income	682	129	294	262
General, administrative and other expense				
Employee compensation and benefits	1,467	1,444	792	755
Occupancy and equipment	262	211	127	106
Franchise taxes	90	76	36	29
Data processing	242	216	127	80
Other operating	714	562	239	279
Total general, administrative and other expense	2,775	2,509	1,321	1,249
Earnings before income taxes	1,329	976	686	783
Federal income taxes				
Current	41	248	(112)	197
Deferred	285	13	285	13
Total federal income taxes	326	261	173	210
NET EARNINGS	**$1,003**	**$715**	**$ 513**	**$ 573**
EARNINGS PER SHARE				
Basic	**$.63**	**$.45**	**$.32**	**$.36**
Diluted	**$.63**	**$.45**	**$.32**	**$.36**

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	For the six months ended December 31,		For the three months ended December 31,	
	2009	**2008**	**2009**	**2008**
Net earnings	$1,003	$715	$513	$573
Other comprehensive income (loss), net of taxes (benefits):				
Unrealized holding gains (losses) on securities during the period, net of taxes (benefits) of $73, $(33), $55 and $(105) during the respective periods	142	(64)	(205)	107
Reclassification adjustment for realized gains included in earnings, net of taxes of - during both the six-month and three-month periods ended December 31, 2009	-	-	-	-
Comprehensive income	**$1,145**	**$ 651**	**$308**	**$680**
Accumulated comprehensive income	**$334**	**$ (87)**	**$334**	**$(87)**

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended December 31,
(In thousands)

	2009	2008
Cash flows from operating activities:		
Net earnings for the period	$ 1,003	$ 715
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Amortization of discounts and premiums of deposit premium, investments and mortgage-backed securities - net	130	19
Amortization of deferred loan origination fees	(151)	(80)
Depreciation and amortization	114	114
Provision for losses on loans	535	48
Federal Home Loan Bank stock dividends	-	(18)
(Gain) loss on sale of loans and investment securities	(190)	480
Gain on sale of loans	(33)	
Loss on sale of REO	116	1
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	34	294
Prepaid expenses and other assets	(796)	16
Accrued interest payable and other liabilities	(198)	(212)
Federal income taxes		
Current	39	624
Deferred	213	(13)
Net cash provided by operating activities	816	1,988
Cash flows provided by (used in) investing activities:		
Proceeds from maturities of investment securities	16,465	5,806
Proceeds from maturities of certificates of deposit	-	700
Purchase of investment securities	(13,503)	(4,786)
Proceeds from sale of REO	111	26
Net change in loans	(7,579)	(3,501)
Purchase of bank-owned life insurance	(42)	(36)
Purchase of office equipment	(184)	(22)
Net cash provided by (used in) investing activities	(4,732)	(1,813)
Cash flows provided by (used in) financing activities:		
Net increase (decrease) in deposit accounts	1,794	(6,387)
Proceeds from Federal Home Loan Bank advances	2,800	25,050
Repayment of Federal Home Loan Bank advances	(2,862)	(16,865)
Advances by borrowers for taxes and insurance	17	29
Dividends paid on common stock	(574)	(574)
Net cash provided by (used in) financing activities	1,175	1,253
Net increase (decrease) in cash and cash equivalents	(2,741)	1,428
Cash and cash equivalents at beginning of period	6,716	8,056
Cash and cash equivalents at end of period	**$ 3,975**	**$ 9,484**

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the six months ended December 31,
(In thousands)

	2009	2008
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Federal income taxes	$ -0-	$ -0-
Interest on deposits and borrowings	$2,196	$2,849
Supplemental disclosure of noncash investing activities:		
Unrealized gains (losses) on securities designated as available for sale, net of related tax effects	$ 142	$ (64)

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six- and three-month periods ended December 31, 2009 and 2008

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, 2009. 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 six- and three-month periods ended December 31, 2009, are not necessarily indicative of the results which may be expected for the entire fiscal year.

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

Certain of the Corporation's accounting policies are important to the portrayal of the Corporation's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. 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, 2009 in Note A 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 December 31, 2009 and 2008 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 six months ended December 31,		For the three months ended December 31,	
	2009	**2008**	**2009**	**2008**
Weighted-average common shares outstanding (basic)	1,594,958	1,594,958	1,594,958	1,594,958
Dilutive effect of assumed exercise of stock options	-	-	-	-
Weighted-average common shares outstanding (diluted)	**1,594,958**	**1,594,958**	**1,594,958**	**1,594,958**

5. Stock Option Plan

During fiscal 1996 the Board of Directors and shareholders adopted the ASB Financial Corp. 1995 Stock Option and Incentive Plan (the "Plan") that provided for the issuance of 225,423 shares, as adjusted, of authorized but unissued common shares of common stock at fair value on the date of grant. In fiscal 1996, the Corporation granted 197,521 options which currently have an adjusted exercise price per share of $7.64. The number of options granted and the exercise price have been adjusted to give effect to the return of capital and special dividend distributions paid by the Corporation.

The Corporation accounts for the Plan in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," which contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits entities to continue to account for stock options and similar equity instruments under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using APB Opinion No. 25 are required to make pro forma disclosures of net earnings and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied.

The Corporation applies APB Opinion No. 25 and related Interpretations in accounting for the Plan. Accordingly, no compensation cost has been recognized for the Plan. Had compensation cost for the Plan been determined based on the fair value at the grant dates for awards under the Plan consistent with the accounting method utilized in SFAS No. 123, the Corporation's net earnings and earnings per share for the six- and three-month periods ended December 31, 2009 and 2008, would have been reported as the pro forma amounts indicated below:

5. Stock Option Plan (continued)

		Six months ended December 31, 2008	2007	Three months ended December, 2008	2007
Net earnings (In thousands)	As reported	$1,003	$715	$513	$573
	Stock-based compensation, net of tax	-	-	-	-
	Pro-forma	**$1,003**	**$ 715**	**$513**	**$573**
Earnings per share					
Basic	As reported	$.63	$.45	$.32	$.36
	Stock-based compensation, net of tax	-	-	-	-
	Pro-forma	**$.63**	**$.45**	**$.32**	**$.36**
Diluted	As reported	$.63	$.45	$.32	$.36
	Stock-based compensation, net of tax	-	-	-	-
	Pro-forma	**$.63**	**$.45**	**$.32**	**$.36**

A summary of the status of the Corporation's Plan as of December 31, 2009 and June 30, 2009, and changes during the periods ending on those dates is presented below:

	Six months ended December 31, 2009 Shares	Weighted-average exercise price	Year ended June 30, 2009 Shares	Weighted-average exercise price
Outstanding at beginning of period	2,684	$ 16.50	2,684	$16.50
Exercised	-0-	-0-	-	-
Outstanding at end of period	**2,684**	**$ 16.50**	**2,684**	**$16.50**
Options exercisable at period-end	**2,684**	**$ 16.50**	**2,684**	**$ 16.50**
Weighted-average fair value of options granted during the period		**$ -**		**$ -**

5. Stock Option Plan (continued)

The following information applies to options outstanding at December 31, 2009:

Number outstanding	2,684
Range of exercise prices	$16.50
Weighted-average exercise price	$16.50
Weighted-average remaining contractual life	4.4 years

ASB Financial Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 ASB or its management are intended to identify such forward looking statements. ASB'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, 2009 to December 31, 2009

At December 31, 2009, the Corporation's assets totaled $219.1 million, an increase of $2.1 million, or .98%, over total assets at June 30, 2009.

Cash and cash equivalents decreased by $2.7 million, or 39.8%, from June 30, 2009 levels, to a total of $4.0 million at December 31, 2009. Available for sale securities totaled $32.7 million at December 31, 2009, a decrease of $2.7 million, or 7.6%, from June 30, 2009 levels. Maturities and discount accretion related to investment securities totaling approximately $16.2 million were partially offset by purchases of $13.5 million. Purchases of investment securities consisted primarily of fixed-rate medium-term callable U.S. Government agency obligations, FNMA and FHLMC issued mortgage-backed securities. Certificates of deposit in other financial institutions totaled $249,000 at December 31, 2009, unchanged, from June 30, 2009 levels.

Loans receivable increased by $6.9 million, or 4.2%, during the six-month period ended December 31, 2009, to a total of $170.6 million. Loan disbursements amounted to $29.4 million for the six months ended December 31, 2009, which were offset by principal repayments and sales of $22.5 million. During the six months ended December 31, 2009, loans originated consisted of $19.7 million of loans secured by one- to four-family residential real estate, $6.2 million of loans secured by nonresidential real estate, $1.6 million of commercial loans and $1.9 million of consumer loans.

The allowance for loan losses decreased by $49,000, or 2.7%, during the six month period ended December 31, 2009, to a total of $1.7 million. Nonperforming and nonaccrual loans totaled $2.5 million at December 31, 2009, an increase of $1.2 million, or 92.3% from the balance at June 30, 2009. The allowance for loan losses represented 68.5% and 135.4 of nonperforming loans at December 31, 2008 and June 30, 2008, respectively. At December 31, 2009, nonperforming loans consisted of $2.1 million in one- to four-family residential real estate loans and $400,000 in nonresidential real estate, consumer and other loans. Management believes such loans are adequately collateralized and does not expect to incur any losses on such loans. Although management believes that its allowance for loan losses at December 31, 2009, 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 $175.7 million at December 31, 2009, an increase of $1.8 million, or 1.1%, from June 30, 2009 levels. The increase in deposits was due primarily to inreases in money market and time deposit acounts.

Discussion of Financial Condition Changes from June 30, 2009 to December 31, 2009 (continued)

Federal Home Loan Bank advances decreased by $62,000, or .29%, during the six-month period ended December 31, 2009. New borrowings amounted to $2.8 million for the six months ended December 31, 2009, and were offset by repayments of $2.9 million.

Shareholders' equity totaled $19.6 million at December 31, 2009, an increase of $571,000, or 3.0%, from the June 30, 2009 level. The increase was due to net earnings of $1.0 millon, which were partially offset by dividends on common shares totaling $574,000 and a $142,000 increase in unrealized gains on investments. Dividends totaled $.36 per share for the six months ended December 31, 2009.

American is required to meet minimum regulatory capital requirements promulgated by the Office of Thrift Supervision ("OTS"). At December 31, 2009, American's regulatory capital exceeded the minimum capital requirements.

Comparison of Operating Results for the Six-Month Periods Ended December 31, 2009 and 2008

General

Net earnings totaled $1.0 million for the six months ended December 31, 2009, an increase of $288,000 from the same period in 2008. Increases of $553,000 in net interest income and $553,000 in other income were partially offset by a increases of $487,000 in provision for losses on loans, $266,000 in general, administrative and other expense and $65,000 in provision for income taxes.

Net Interest Income

Interest income on loans decreased by $191,000, or 3.5%, for the six months ended December 31, 2009, compared to the 2008 period. This decrease was due primarily to a $4.0 million, or 2.4%, increase in the average portfolio balance outstanding period to period and a 37 basis point decrease in the weighted-average yield, to 6.18% for the 2009 six-month period. Interest income on cash and available for sale securities decreased by $107,000, or 13.1%, due primarily to a 33 basis point decrease in the weighted-average yield, to 3.93% for the 2009 period and a $174,000 , or .45%, decrease in the average balance of the related earning assets outstanding period to period.

Interest expense on deposits decreased by $783,000, or 33.1%, for the six months ended December 31, 2009, compared to the same period in 2008. This decrease was due primarily to a $6.6 million, or 3.9%, increase in the average balance of deposits outstanding period to period and a 107 basis point decrease in the weighted-average cost of deposits, to 1.71% for the six months ended December 31, 2009. Interest expense on borrowings decreased by $68,000, or 14.4%, due to a 30 basis point increase in the average cost of borrowings during the period and a $5.5 million, or 20.7%, decrease in the average balance outstanding.

Comparison of Operating Results for the Six-Month Periods Ended December 31, 2009 and 2008 (continued)

Net Interest Income (continued)

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $553,000, or 16.2%, to a total of $4.0 million for the six months ended December 31, 2009. The interest rate spread increased to 3.73% for the six months ended December 31, 2009, from 3.24% for the 2008 period, while the net interest margin increased to 3.82% in the 2009 period, compared to 3.34% in the 2008 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 collectibility of American's loan portfolio. The Corporation recorded a provision for losses on loans totaling $535,000 during the six months ended December 31, 2009, an increase of $487,000, or 1,014.6%, from the comparable six-month period in 2008. The provision for loan loss is determined based upon managements evaualtion 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.

Other Income

Other income totaled $682,000 for the six months ended December 31, 2009, an increase of $553,000, or 428.7%, from the same period in 2008. The increase was due to a increase of $687,000, or 1,431.3%, in gain on sale of investment securities, which was partially offset by an increasesof $115,000, or 115%, in loss on sale of REO and a decrease of $19,000, or 3.1%, in other operating income. The decrease in other operating income was primarily reduced customer service charges and fees and the increase in the gain on sale of investments was primarily due to losses related to sales and impairment charges related to FNMA preferred stock that were realized in the 2008 period.

General, Administrative and Other Expense

General, administrative and other expense totaled $2.8 million for the six months ended December 31, 2009, an increase of $266,000, or 10.6%, over the same period in 2008. This increase was comprised of increases of $23,000, or 1.6%, in employee compensation and benefits, $51,000, or 24.2%, in occupancy and equipment, $14,000, or 18.4% in franchise taxes, $26,000, or 12.0 in data processing and $152,000, or 27.0 % in other operating expenses. The increase in employee compensation and benefits was due primarily to normal merit increases and incentives for employees.

Federal Income Taxes

The provision for federal income taxes totaled $326,000 for the six months ended December 31, 2009, an increase of $65,000, or 24.9%, compared to the same period in 2008. This increase was due to a the effects of expiring tax credits and an increase in net income from year to year. The effective tax rates were 24.5% and 26.7% for the six-month periods ended December 31, 2009 and 2008, respectively.

Comparison of Operating Results for the Three-Month Periods Ended December 31, 2009 and 2008

General

Net earnings totaled $513,000 for the three months ended December 31, 2009, a decrease of $60,000, or 10.5% from the $573,000 in earnings reported for the same quarter in 2008. Increases of $241,000 in net interest income and $32,000 in other income and a decrease of $37,000 in provision for income taxes were offset by increases of $298,000 in provision for losses on loans and $72,000 in general, administrative and other expense.

Net Interest Income

Interest income on loans decreased by $95,000, or 3.5%, for the three months ended December 31, 2009, compared to the 2008 period. This decrease was due primarily to a 33 basis point decrease in the weighted-average yield, to 6.18%, for the 2009 three month period and a $2.6 million, or 1.6%, decrease in the average portfolio balance outstanding period to period. Interest income on casn and available for sale securities increased by $46,000, or 11.0%, due primarily to a $2.1 million, or 5.8%, increase in the average balance of the related assets outstanding period to period and a 74 basis point decrease in the weighted-average yield, to 3.93% for the 2009 period.

Interest expense on deposits decreased by $355,000, or 31.9%, for the three months ended December 31, 2009, compared to the same period in 2008. This decrease was due primarily to a $9.1 million, or 5.4%, increase in the average balance of deposits outstanding period to period and a 94 bais point decrease in the average cost to 1.71% for 2009. Interest expense on borrowings decreased by $27,000, or 11.8%, due to a 37 basis point increase in the average cost of borrowings, to 3.85% for the period and a $5.3 million, or 20.2%, decrease in the average balance outstanding.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $241,000, or 13.4%, to a total of $2.0 million for the three months ended December 31, 2009. The interest rate spread increased to 3.83% for the three months ended December 31, 2009, from 3.42% for the 2008 period, while the net interest margin increased to 3.92% from 3.54%.

Provision for Losses on Loans

The Corporation recorded a provision for losses on loans totaling $325,000 during the three months ended December 31, 2009, an increase of $298,000, or 1,103.7% from the comparable three-month period in 2008. 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.

Other Income

Other income totaled $294,000 for the three months ended December 31, 2009, an increase of $32,000, or 12.2%, from the same period in 2008. The increase was due to increases of $95,000 in gain on sale of loans and investments and $33,000 in other operating income, which were partially offset by a $96,000 increase in loss on sale of real estate owned.

Comparison of Operating Results for the Three-Month Periods Ended December 31, 2009 and 2008 (continued)

General, Administrative and Other Expense

General, administrative and other expense totaled $1.3 million for the three months ended December 31, 2009, an increase of $72,000, or 5.8%, over the same period in 2008. This increase was comprised of increases of $37,000, or 4.9%, in employee compensation, benefits, $21,000, or 19.8% in occupancy and equipment, $7,000, or 24.1% in franhise taxes, and $47,000, or 58.8% in data processing, which were partially offset by a decrease of $40,000, or 14.3% in other operating expense. The increase in employee compensation and benefits was due primarily to normal merit increases and incentives for employees.

Federal Income Taxes

The provision for federal income taxes totaled $173,000 for the three months ended December 31, 2009, a decrease of $37,000, or 17.6% from the same period in 2008. The effective tax rates were 25.2% and 26.8% for the three-month periods ended December 31, 2009 and 2008, respectively.