ASB FINANCIAL CORP
QUARTERLY RESULTS
(Unaudited)

For the Quarter Ended
December 31, 2014

INDEX

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

ASSETS	December 31, 2014	June 30, 2014
Cash and due from banks	$ 1,404	$ 1,550
Interest-bearing deposits in other financial institutions	3,271	4,731
Federal funds sold	-	1,903
Cash and cash equivalents	4,675	8,184
Time deposits with other financial institutions	249	249
Available-for-sale securities	33,533	35,923
Loans held for sale	1,777	3,750
Loans receivable, net of allowance for loan losses	190,507	187,508
Premises and equipment	5,698	5,668
Federal Home Loan Bank stock (cost)	1,547	1,547
Interest receivable	806	818
Bank-owned life insurance	4,479	4,414
Goodwill	2,603	2,603
Core deposit intangible	13	14
Other real estate owned	183	255
Deferred federal income taxes	-	71
Prepaid expenses and other assets	767	1,097
Total assets	**$ 246,837**	**$ 252,101**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 199,995	$ 205,481
Short term borrowings	1,942	373
Advances from the Federal Home Loan Bank	15,714	17,440
Other borrowings	-	-
Advances by borrowers for taxes and insurance	528	256
Accrued interest payable and other liabilities	2,540	2,546
Total liabilities	220,719	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	15,806	15,812
Accumulated other comprehensive income	216	97
Treasury stock at cost		
Common; 264,392 shares	(3,223)	(3,223)
Total shareholders' equity	26,118	26,005
Total liabilities and shareholders' equity	**$ 246,837**	**$ 252,101**

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

	For the six months ended December 31, 2014	For the six months ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Interest and dividend income				
Loans	$ 4,759	$ 4,705	$ 2,372	$ 2,336
Securities	466	485	233	256
Dividends on Federal Home Loan Bank stock	31	32	16	16
Deposits with financial institutions and other	3	6	1	2
Total interest income	5,259	5,228	2,622	2,610
Interest expense				
Deposits	742	856	365	421
Borrowings	291	331	146	164
Total interest expense	1,033	1,187	511	585
Net interest income	4,226	4,041	2,111	2,025
Provision for losses on loans	60	60	30	50
Net interest income after provision for loan losses	4,166	3,981	2,081	1,975
Noninterest Income				
Customer service charges and other fees	353	352	177	176
Gain on sale of loans	655	33	311	26
Gain on sale of securities	-	-	-	-
Gain (loss) on sale of REO	(47)	(7)	(13)	4
Other operating	136	336	76	229
Total noninterest income	1,097	714	551	435
Noninterest Expense				
Employee compensation and benefits	2,110	1,673	1,064	832
Occupancy and equipment	382	397	186	206
Data processing	374	360	196	174
Professional fees	325	243	179	131
Printing and office supplies	52	56	28	32
OREO expenses	20	36	16	11
Franchise taxes	110	136	55	72
Federal deposit insurance premiums	94	102	46	49
Other operating	860	628	456	353
Total noninterest expense	4,327	3,631	2,226	1,860
Income before income taxes	936	1,064	406	550
Provision for federal income taxes	230	304	94	162
NET INCOME	**$ 706**	**$ 760**	**$ 312**	**$ 388**
Basic Earnings per Share	**$ 0.36**	**$ 0.47**	**$ 0.16**	**$ 0.24**
Diluted Earnings per Share	**$ 0.36**	**$ 0.47**	**$ 0.16**	**$ 0.24**

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

	For the six months ended December 31, 2014	For the six months ended December 31, 2013	For the three months ended December 31, 2014	For the three months ended December 31, 2013
Net Income	$ 706	$ 760	$ 312	$ 388
Other comprehensive income (loss) net of taxes:				
Unrealized gains (losses) on available-for-sale securities	31	(281)	49	39
Unrealized gains (losses) on derivatives used for cash flow hedges	89	63	6	63
Other comprehensive income (loss) before tax effect	120	(218)	55	102
Comprehensive Income	**$ 826**	**542**	**$ 336**	**$ 407**
Tax expense (credit):				
Unrealized gains (losses) on available-for-sale securities	15	(145)	24	19
Unrealized gains (losses) on derivatives used for cash flow hedges	45	33	3	33
Total tax effect	**$ 60**	**(112)**	**$ 27**	**$ 52**
Accumulated comprehensive income:				
Available-for-sale securities	$ 603	$ 286	$ 603	$ 286
Derivative financial instruments	(387)	(505)	(387)	(505)
Total accumulated comprehensive income	**$ 216**	**$ (219)**	**216**	**$ (219)**

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

	For the six months ended December 31, 2014	2013
Operating Activities		
Net income	$ 706	$ 760
Items not requiring (providing) cash		
Depreciation and amortization	160	144
Provision for loan losses	60	60
Amortization of premiums and discounts on securities	128	165
Amortization of deferred loan fees, net	(82)	(79)
Amortization of core deposit intangible	1	10
Amortization of FHLB advances deferred prepayment penalties	74	74
Federal income taxes	9	(55)
Gain on sale of loans	(655)	(33)
Gain on sale of real estate acquired through foreclosure	20	(25)
(Gain) loss on sale of available-for-sale securites	-	-
Impairment of foreclosed assets held for sale	27	32
Cash surrender value of bank owned life insurance	(65)	(65)
Changes in:		
Loans held for sale	1,973	-
Interest receivable	12	103
Prepaid expenses and other assets	330	606
Interest payable and other liabilities	128	77
Net cash provided by operating activities	2,826	1,774
Investing Activities		
Net change in interest-bearing certificates of deposits	-	754
Purchases of available-for-sale securities	(459)	(3,746)
Proceeds from maturities and payments from of available-for-sale securities	2,767	3,920
(Increase) decrease in loans	(2,408)	(851)
Purchase of premises and equipment	(185)	(149)
Proceeds from sale of foreclosed assets	107	307
Net cash provided by (used in) investing activities	(178)	235
Financing Activities		
Net change in deposits	(5,486)	(10,179)
Net change in short term borrowings	1,569	1,743
Proceeds from Federal Home Loan Bank advances	-	-
Repayment of borrowings and Federal Home Loan Bank advances	(1,800)	(3,053)
Issuance of stock	-	4,636
Dividends paid	(712)	(642)
Net decrease in advances from borrowers for taxes and insurance	272	247
Net cash provided by (used in) financing activities	(6,157)	(7,248)
Increase (Decrease) in Cash and Cash Equivalents	(3,509)	(5,239)
Cash and Cash Equivalents, Beginning of Period	8,184	14,088
Cash and Cash Equivalents, End of Period	$ 4,675	$ 8,849
Supplemental Cash Flows Information:		
Interest Paid	$ 1,080	$ 1,195
Income taxes paid (net of refunds)	$ 180	$ -
Real estate acquired in settlement of loans	$ 86	$ 186

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 six- and three-month periods ended December 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 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 December 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 six months ended December 31,		**For the three months ended December 31,**	
	2014	**2013**	**2014**	**2013**
Weighted-average common shares outstanding (basic)	1,979,034	1,602,404	1,979,034	1,610,773
Dilutive effect of assumed exercise of stock options	-	-	-	-
Weighted-average common shares outstanding (diluted)	1,979,034	1,602,404	1,979,034	1,610.773

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 December 31, 2014

At December 31, 2014, the Corporation's assets totaled $246.8 million, a decrease of $5.3 million, or 2.1%, compared to total assets at June 30, 2014. Cash and cash equivalents decreased by $3.5 million, or 42.7%, from June 30, 2014 levels, for a total of $4.7 million at December 31, 2014, a result of deposit liabilities decreasing by $5.5 million, or 2.7%, from June 30, 2014 levels, ending the quarter at $200.0 million. Maturing certificates of deposit was a majority of the decline in deposits.

Available-for-sale securities totaled $33.5 million at December 31, 2014, a decrease of $2.4 million, or 6.7%, 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 $3.0 million, or 1.6%, during the six-month period, resulting in total loans of $190.5 million at December 31, 2014. Loan disbursements amounted to $14.2 million for the six-month period. New loans originated consisted of 73% secured by one- to four-family residential real estate, 20% 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 $1.8 million at December 31, 2014, a decrease of $0.1 million from June 30, 2014, representing 0.9% of total gross loans. Nonperforming and nonaccrual loans totaled $2.0 million at December 31, 2014, a decrease of $1.7 million, or 45.6%, from the balance at June 30, 2014. The allowance for loan losses represented 87.4% and 52.5% of nonperforming loans at December 31, 2014 and June 30, 2014, respectively. At December 31, 2014, nonperforming loans consisted of $0.8 million in one- to four-family residential real estate loans and $1.2 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 December 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.

Shareholders' equity totaled $26.1 million at December 31, 2014, an increase of $0.1 million, or 0.4%, from the June 30, 2014 level. Dividends totaled $0.36 per share for the six months ended December 31, 2014.

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

Comparison of Operating Results for the Six-Month Periods Ended December 31, 2014 and 2013

General

Net income totaled $706,000 for the six months ended December 31, 2014 compared to net income of $760,000 in the same period in 2013. The decrease in net earnings was the result of increased noninterest expenses, partially offset by increased net interest income and noninterest income. Noninterest expense increased by $696,000, or 19.2%, compared to six months ended December 31, 2013, primarily a result of the bank expanding its loan operations and marketing in the Cincinnati market. The expansion increased noninterest income by $383,000, or 53.6%, during the comparative six month periods.

Net Interest Income

Total interest income at $5,259,000 for the six-month period ending December 31, 2014 represents 0.6% increase from the same period last year. Interest income on the loan portfolio totaled $4,759,000 for the six months ended December 31, 2014, a 1.1% increase over the same six-month period in 2013. The year-to-date average balance of the loan portfolio decreased $2.3 million at December 31, 2014 as compared to the same six-month period in 2013; however, the weighted-average yield increased 12 basis points. Interest income on cash and investments totaled $500,000 for the six months ending December 31, 2014, down $23,000, or 4.4%, compared to the 2013 total. The average balance of the interest-bearing deposits and security portfolio decreased $4.8 million at December 31, 2014 as compared to the same six-month period in 2013; and the weighted-average yield increased 14 basis points.

Interest expense on liabilities decreased $154,000, or 13.0%, for the six months ended December 31, 2014 compared to the same period in 2013. The Corporation experienced a $10.0 million, or 4.5%, decrease in the average balance of interest-cost liabilities and a 9 basis point decrease in the weighted average cost. The average balance of deposits outstanding decreased $12.0 million from the period in the prior year and borrowings increased $2.0 million.

As a result of the foregoing changes in interest income and interest expense, net interest income increased $185,000, or 4.6%, to a total of $4,226,000 for the six months ended December 31, 2014. The interest rate spread increased to 3.58% for the six months ended December 31, 2014, from 3.33% for the 2013 period, while the net interest margin increased to 3.62% in the 2014 period compared to 3.36% 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 $60,000 during the six months ended December 31, 2014 and December 31, 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 $1,097,000 for the six months ended December 31, 2014, an increase of $383,000, or 53.6%, from the same period in 2013. The increase was due to gain on sales of loans totaling $655,000 in the six months in 2014 created by the expansion of its mortgage origination division in the Bank's southwestern Ohio market in 2014, as compared to $33,000 in 2013. This increase was partially offset by lower other operating income and losses on sale of other real estate owned.

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

Noninterest Expense

Noninterest expense totaled $4,327,000 for the six months ended December 31, 2014, an increase of $696,000, or 19.2%, over the same period in 2013. 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 $230,000 for the six months ended December 31, 2014 as compared to $304,000 for the same period in 2013, a decrease of $74,000, or 24.3%. The effective tax rates were 24.6% and 28.6% for the six-month periods ended December 31, 2014 and 2013, respectively.

Comparison of Operating Results for the Three-month Periods Ended December 31, 2014 and 2013

General

Net income totaled $312,000 for the three months ended December 31, 2014 compared to net income of $388,000 in the same period in 2013. The increase in net earnings for the period is primarily a result of improved net interest income, increased noninterest income and decreased loan loss provision. The increased earnings were impacted by increases in noninterest expense.

Net Interest Income

Total interest income at $2,622,000 for the three-month period ended December 31, 2014 represents a 0.5% increase from the same period last year. Interest income on the loan portfolio totaled $2,372,000 for the three months ended December 31, 2014, a 1.5% increase from the same three-month period in 2013. The year-to-date average balance of the loan portfolio decreased $1.6 million at December 31, 2014 as compared to the same three-month period in 2013; however, the weighted-average yield increased 12 basis points. Interest income on cash and investments totaled $250,000 for the three months ending December 31, 2014, down $24,000, or 8.8%, from the 2013 total. The average balance of the interest-bearing deposits and security portfolio decreased $4.5 million at December 31, 2014 as compared to the same three-month period in 2013; but the weighted-average yield increased 14 basis points.

Interest expense on liabilities decreased $74,000, or 12.6%, for the three months ended December 31, 2014 compared to the same period in 2013. The Corporation experienced an $8.9 million decrease in the average balance of interest-cost liabilities and a 10 basis point decrease in the weighted average cost. The average balance of deposits outstanding decreased $10.9 million from the period in the prior year and borrowings increased $2.0 million.

As a result of the foregoing changes in interest income and interest expense, net interest income increased $86,000, or 4.2%, to a total of $2,081,000 for the three months ended December 31, 2014. The interest rate spread increased to 3.58% for the three months ended December 31, 2014, from 3.34% for the 2013 period, while the net interest margin increased to 3.62% in the 2014 period compared to 3.38% in the 2013 period.

Provision for Losses on Loans

American recorded a provision for losses on loans totaling $30,000 during the three months ended December 31, 2014, a decrease of $20,000 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.

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

Noninterest Income

Noninterest income totaled $551,000 for the three months ended December 31, 2014, an increase of $116,000, or 26.7%, from the same period in 2013. 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 $2,226,000 for the three months ended December 31, 2014, an increase of $366,000, or 19.7%, over the same period in 2013. The higher expenses were primarily due to increased employee and benefit costs, an increase of $232,000, or 27.9%, and increased marketing costs. 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 $94,000 for the three months ended December 31, 2014 as compared to $162,000 for the same period in 2013, a decrease of $68,000, or 42.0%. The effective tax rates were 23.2% and 29.5% for the three-month periods ended December 31, 2014 and 2013, respectively.