ASB FINANCIAL CORP.

2013 Annual Report

A MESSAGE TO OUR SHAREHOLDERS

Dear Fellow Shareholder:

We are pleased to present our 2013 Annual Report to Shareholders, covering the fiscal year ended June 30, 2013.

As we look back on our previous fiscal year's performance, we are proud that your company has continued to grow in a stagnant environment. With the addition of the two Cincinnati branches, ASB has found new markets in which to offer our products and services.

Total assets increased 9.47% from June 30, 2012, to June 30, 2013, ending the year at $260,643,000. While earnings per share decreased slightly from $1.04 in 2012 to $0.98 this year, our equity to assets remained constant at 8.2%, maintaining our "well capitalized" position as defined by the Office of the Comptroller of the Currency.

Looking back over the 121 year history of American Savings, we see that the soundness of the Company's Management's decisions, regardless of the economic environment locally, regionally, nationally or globally has consistently provided growth and stability. These are the constants that enable us to achieve positive returns for our shareholders.

We appreciate your continued support and trust in our company and in our team's ability to deliver positive results. We'll continue to work hard every day to improve shareholder value.

Very truly yours,

Robert M. Smith
Chairman, President and CEO
ASB Financial Corp.

BUSINESS OF ASB FINANCIAL CORP.

ASB Financial Corp. ("ASBF" or the "Corporation"), a thrift holding company incorporated under the laws of the State of Ohio, owns all of the issued and outstanding common shares of American Savings Bank, fsb ("American" or the "ASB"), a federal savings bank. Other than investing excess funds, ASBF's activities have been limited primarily to holding the common shares of American.

American has been serving the Portsmouth, Ohio, area since 1892, and it expanded its market into the Cincinnati, Ohio area in November 2012 with the acquisition of Cottage Savings Bank. American conducts business in Portsmouth, Ohio, from its main office at 503 Chillicothe Street and its drive-through at 907 Chillicothe Street, and operates from branch offices at 951 West Emmitt Avenue in Waverly, Ohio; 7920 Ohio River Road in Wheelersburg, Ohio; 9813 Montgomery Road and 7114 Miami Avenue in Cincinnati, Ohio; and 347 James Hannah Drive in South Shore, Kentucky. The principal business of American is the origination of loans secured by one- to four-family residential real estate located in American's primary market area, which consists of the contiguous areas of Scioto, Pike and Hamilton Counties in Ohio and Lewis and Greenup Counties in Kentucky. American also originates loans secured by multifamily residences (over four units) and nonresidential real estate and purchases interests in loans originated by other lenders secured by multifamily real estate and nonresidential real estate located outside of American's primary market area. In addition to real estate lending, American invests in mortgage-backed securities, U.S. Government and agency obligations, municipal bonds and other investments. Funds for lending and other investment activities are obtained primarily from deposits, which are insured up to applicable limits by the Federal Deposit Insurance Corporation (the "FDIC"), and from borrowings from the Federal Home Loan Bank (the "FHLB") of Cincinnati.

ASBF is subject to regulation, examination and oversight by the Board of Governors of the Federal Reserve System ("FRB"). American is subject to regulation, examination and oversight by Office of the Comptroller of the Currency of the United States Department of the Treasury (the "OCC") and the FDIC. American is also a member of the FHLB of Cincinnati.

ASBF's office is located at 503 Chillicothe Street, Portsmouth, Ohio 45662. The telephone number is (740) 354-3177.

MARKET PRICE OF ASB FINANCIAL CORP.
COMMON SHARES AND RELATED SHAREHOLDER MATTERS

There were 1,594,034 common shares of ASBF outstanding on September 1, 2013, held of record by approximately 125 shareholders. Price information for ASBF's common shares is quoted on the Pink Sheets Market under the symbol "ASBN."

The table below sets forth the high and low closing prices for the common shares of ASBF, together with dividends declared per share, for each quarter of fiscal years ended June 30, 2013 and 2012.

Quarter ended	High Close	Low Close	Cash Dividends Declared
Fiscal 2013			
September 30, 2012	$13.00	$11.92	$0.18
December 31, 2012	$13.10	$12.05	$0.18
March 31, 2013	$13.31	$12.00	$0.18
June 30, 2013	$14.50	$12.25	$0.18
Fiscal 2012			
September 30, 2011	$14.00	$11.82	$0.18
December 31, 2011	$14.00	$11.82	$0.18
March 31, 2012	$13.99	$11.25	$0.18
June 30, 2012	$13.50	$12.05	$0.18

The income of ASBF on an unconsolidated basis consists of interest and dividends on investment and mortgage-backed and related securities and dividends which may periodically be paid on the common shares of American held by ASBF. In addition to certain federal income tax considerations, OCC regulations impose limitations on the payment of dividends and other capital distributions by savings associations.

SELECTED CONSOLIDATED
FINANCIAL INFORMATION AND OTHER DATA

The following tables sets forth certain information concerning the financial condition, income and other data regarding ASBF at the dates and for the periods indicated.

Selected consolidated financial data	At June 30, 2013	2012	2011 (In thousands)	2010	2009
Assets	$ 260,643	$ 238,095	$ 229,299	$ 229,316	$ 216,952
Cash and cash equivalents	14,088	16,514	9,627	11,189	6,716
Certificates of deposit in other financial institutions	1,003	-	-	249	249
Available-for-sale securities - at market	36,534	43,505	41,057	35,544	35,333
Loans receivable – net	191,881	167,260	167,005	170,856	163,695
Deposits	220,531	199,995	192,798	187,087	173,864
Advances from the FHLB	12,371	12,331	13,010	18,274	21,062
Shareholders' equity, restricted	21,316	21,095	20,906	20,138	19,018

Selected consolidated operating data	Year ended June 30, 2013	2012	2011 (In thousands, except per share data)	2010	2009
Interest income	$ 10,668	$ 10,426	$ 11,329	$ 11,750	$ 12,528
Interest expense	2,318	2,287	3,043	3,771	5,080
Net interest income	8,350	8,139	8,286	7,979	7,448
Provision for losses on loans	460	975	785	985	293
Net interest income after provision for losses on Loans	7,890	7,164	7,501	6,994	7,155
Other income	1,405	1,103	1,231	1,287	721
General, administrative and other expense	7,217	6,013	6,058	5,649	5,103
Earnings before income taxes	2,078	2,254	2,674	2,632	2,773
Federal income taxes	515	601	703	736	688
Net earnings	$ 1,563	$ 1,653	$ 1,971	$ 1,896	$ 2,085
Earnings per share					
Basic	$ 0.98	$ 1.04	$ 1.24	$ 1.19	$ 1.31
Diluted	$ 0.98	$ 1.04	$ 1.24	$ 1.19	$ 1.31

SELECTED CONSOLIDATED
FINANCIAL INFORMATION AND OTHER DATA

	Year ended June 30,				
Selected financial ratios:	**2013**	**2012**	**2011**	**2010**	**2009**
Return on average assets	0.61%	0.71%	0.86%	0.85%	0.96%
Average interest rate spread during period	3.46%	3.72%	3.77%	3.84%	3.59%
Net interest margin	3.49%	3.76%	3.82%	3.88%	3.67%
Return on average equity	7.32%	7.87%	9.46%	9.68%	11.42%
Equity to total assets at end of period	8.18%	8.86%	9.12%	8.78%	8.77%
Average interest-earning assets to average interest-bearing liabilities	101.37%	102.42%	103.60%	102.59%	103.49%
Net interest income to general, administrative and other expense	115.70%	135.36%	136.78%	141.25%	145.95%
General, administrative and other expense to average total assets	2.82%	2.63%	2.62%	2.53%	2.36%
Nonperforming assets to total assets	1.66%	2.37%	1.21%	1.53%	0.84%
Loan loss allowance to nonperforming loans	57.59%	43.16%	118.19%	88.80%	109.94%
Dividend payout ratio	73.47%	69.23%	58.06%	60.50%	54.96%

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Independent Auditors' Report

Board of Directors
ASB Financial Corp.
Portsmouth, Ohio

We have audited the accompanying consolidated financial statements of ASB Financial Corp., which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASB Financial Corp. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The letter to shareholders and annual report are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Cincinnati, Ohio
August 22, 2013

ASB Financial Corp.

Consolidated Balance Sheets

June 30, 2013 and 2012

(Dollar amounts in thousands)

Assets	**2013**	**2012**
Cash and due from banks	$ 2,822	$ 1,203
Interest-bearing deposits	9,838	11,196
Federal funds sold	1,428	4,115
Cash and cash equivalents	14,088	16,514
Interest-bearing time deposits in banks	1,003	-
Available-for-sale securities	36,534	43,505
Loans, net of allowance for loan losses of $2,154 and $2,186 at June 30, 2012 and 2011, respectively	191,881	167,260
Premises and equipment	5,489	2,337
Federal Home Loan Bank stock	1,547	1,327
Interest receivable	982	914
Bank owned life insurance	4,285	4,151
Goodwill	2,603	-
Core deposit intangible	26	42
Foreclosed assets held for sale	593	575
Prepaid federal deposit insurance premiums	-	334
Deferred federal income taxes	286	351
Other assets	1,326	785
Total assets	$ 260,643	$ 238,095
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 37,594	$ 28,294
Savings, NOW and money market	75,720	70,264
Time	107,217	101,437
Total deposits	220,531	199,995
Short term borrowings	687	1,572
Federal Home Loan Bank advances	12,371	12,331
Other borrowings	3,000	-
Advances from borrowers for taxes and insurance	227	226
Interest payable and other liabilities	2,511	2,876
Total liabilities	239,327	217,000
Stockholders' Equity		
Preferred stock, no par value, authorized 1,000,000 shares; none 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	15,857	15,442
Accumulated other comprehensive income (loss)	(1)	193
Treasury stock, at cost		
Common; 264,392 shares	(3,223)	(3,223)
Total stockholders' equity	21,316	21,095
Total liabilities and stockholders' equity	$ 260,643	$ 238,095

See Notes to Consolidated Financial Statements

ASB Financial Corp.

Consolidated Statements of Income

Years Ended June 30, 2013 and 2012

(Dollar amounts in thousands, except per share data)

	2013	2012
Interest and Dividend Income		
Loans	$ 9,558	$ 9,223
Securities		
Taxable	489	645
Tax-exempt	552	498
Dividends on Federal Home Loan Bank stock	62	56
Deposits with financial institutions and other	7	4
Total interest and dividend income	10,668	10,426
Interest Expense		
Deposits	1,857	2,010
Borrowings	461	277
Total interest expense	2,318	2,287
Net Interest Income	8,350	8,139
Provision for Loan Losses	460	975
Net Interest Income After Provision for Loan Losses	7,890	7,164
Noninterest Income		
Customer service charges and other fees	779	722
Net realized gains on sales of loans	265	154
Net realized gains on sales of securities	-	34
Net realized gains (losses) on sales of real estate acquired through foreclosure	75	(67)
Other	286	260
Total noninterest income	1,405	1,103
Noninterest Expense		
Salaries and employee benefits	3,617	3,002
Net occupancy and equipment expense	610	500
Data processing fees	831	704
Professional fees	309	386
Printing and office supplies	207	127
Impairment of foreclosed assets held for sale	70	-
State franchise taxes	218	236
Federal deposit insurance premiums	219	172
Other	1,136	886
Total noninterest expense	7,217	6,013
Income Before Income Tax	2,078	2,254
Provision for Federal Income Taxes	515	601
Net Income	$ 1,563	$ 1,653
Basic Earnings Per Share	$ 0.98	$ 1.04
Diluted Earnings Per Share	$ 0.98	$ 1.04

See Notes to Consolidated Financial Statements

ASB Financial Corp.

Consolidated Statements of Comprehensive Income

Years Ended June 30, 2013 and 2012

(Dollar amounts in thousands, except per share data)

	2013	2012
Net Income	$ 1,563	$ 1,653
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on available-for-sale securities, net of taxes of $(162) and $185 for 2013 and 2012, respectively	(312)	360
Unrealized gains (losses) on derivatives used for cash flow hedges, net of taxes of $61 and $(337) for 2013 and 2012, respectively	118	(653)
Reclassification adjustment for realized gains included in net income, net of taxes of $0 and $(11) for 2013 and 2012, respectively	-	(23)
Other comprehensive loss	(194)	(316)
Comprehensive Income	$ 1,369	$ 1,337

See Notes to Consolidated Financial Statements

ASB Financial Corp.

Consolidated Statements of Stockholders' Equity

Years Ended June 30, 2013 and 2012

(Dollar amounts in thousands, except per share data)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Capital	Earnings	Income (Loss)	Stock	Total
Balance, July 1, 2011	1,858,426	$ -	$ 8,683	$ 14,937	$ 509	$ (3,223)	$ 20,906
Net income				1,653			1,653
Other comprehensive loss					(316)		(316)
Dividends on common stock, $0.72 per share				(1,148)			(1,148)
Balance, June 30, 2012	1,858,426	-	8,683	15,442	193	(3,223)	21,095
Net income				1,563			1,563
Other comprehensive loss					(194)		(194)
Dividends on common stock, $0.72 per share				(1,148)			(1,148)
Balance, June 30, 2013	1,858,426	$ -	$ 8,683	$ 15,857	$ (1)	$ (3,223)	$ 21,316

See Notes to Consolidated Financial Statements

ASB Financial Corp.

Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

(Dollar amounts in thousands)

	2013	2012
Operating Activities		
Net income	$ 1,563	$ 1,653
Items not requiring (providing) cash		
Depreciation and amortization	236	198
Provision for loan losses	460	975
Amortization of premiums and discounts on securities	440	461
Amortization of deferred loan fees, net	(301)	(321)
Amortization of core deposit intangible	36	33
Amortization of Federal Home Loan Bank advances deferred prepayment penalties	146	144
Deferred income taxes	166	205
Net realized gains on available-for-sale securities	-	(34)
Gain on sale of loans	(265)	(154)
(Gain) Loss on sale of real estate acquired through foreclosure	(75)	67
Impairment of foreclosed assets held for sale	70	-
Cash surrender value of bank owned life insurance	(134)	(133)
Changes in		
Interest receivable	(31)	135
Other assets	635	163
Interest payable and other liabilities	(1,180)	116
Net cash provided by operating activities	1,766	3,508
Investing Activities		
Purchases of available-for-sale securities	(4,527)	(17,883)
Proceeds from maturities and paydowns of available-for-sale securities	10,590	10,701
Proceeds from sale of available-for-sale securities	-	4,818
Net change in loans	534	(1,244)
Purchase of premises and equipment	(570)	(101)
Net cash transferred in acquisition of Cottage Savings Bank	(615)	-
Proceeds from sale of foreclosed assets	631	879
Net cash provided by (used in) investing activities	6,043	(2,830)
Financing Activities		
Net increase in deposits	(8,966)	7,197
Net increase (decrease) in short term borrowings	(885)	970
Proceeds from Federal Home Loan Bank advances	-	11,015
Repayment of Federal Home Loan Bank advances	(2,237)	(11,144)
Proceeds from other borrowings	3,000	-
Payment of Federal Home Loan Bank advances prepayment penalty	-	(694)
Dividends paid	(1,148)	(1,146)
Net increase in advances from borrowers for taxes and insurance	1	11
Net cash provided by (used in) financing activities	(10,235)	6,209
Increase (Decrease) in Cash and Cash Equivalents	(2,426)	6,887
Cash and Cash Equivalents, Beginning of Year	16,514	9,627
Cash and Cash Equivalents, End of Year	$ 14,088	$ 16,514
Supplemental Cash Flows Information		
Interest paid	$ 2,273	$ 2,302
Income taxes paid (net of refunds)	$ 459	$ 260
Real estate acquired in settlement of loans	$ 645	$ 489
Dividends payable	$ 287	$ 287

See Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

ASB Financial Corp. ("Company") is a thrift holding company whose principal activity is the ownership and management of its wholly-owned subsidiary American Savings Bank, fsb (the "Bank"). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in the Southern Ohio, Greater Cincinnati area and Northeastern Kentucky. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank, ASB Community Development Corporation and A.S.L. Services, Inc., the Bank's wholly-owned subsidiaries. ASB Community Development Corporation was formed for the purpose of participating in a federal program to promote lending in new markets, which in turn provides federal income tax credits to the Bank. All federal income tax credits have been distributed to the Bank in previous years. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, and fair values of financial instruments.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts from December 31, 2010 to December 31, 2012, at all FDIC insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the $250 limit on FDIC insurance per covered institution.

From time to time, the Company's interest-bearing cash accounts may exceed the FDIC's insured limit of $250. Management considers the risk of loss to be very low.

Interest-bearing Time Deposits in Banks

Interest-bearing time deposits in banks have original maturities greater than three months and are carried at cost.

Securities

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

The Company recognized no other-than-temporary impairments on debt securities in 2013 or 2012.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges off residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to delinquency thresholds established by applicable regulatory guidance to determine the charge-off timeframe for these loans. Loans at these delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all loan classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the prior three years. Management believes the three year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for non-homogenous type loans such as commercial, non-owner residential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For impaired loans where the Company utilizes the discounted cash flows to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate and multi-family loans. If the most recent appraisal is over a year old, and a new appraisal is not performed, due to lack of comparable values or other reasons, the existing appraisal is utilized and discounted based on the age of the appraisal, condition of the subject property, and overall economic conditions. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses. The potential for outdated appraisal values is considered in our determination of the allowance for loan losses through our analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work out an alternative payment schedule with the borrower in order to optimize collectibility of the loan. Any loans that are modified are reviewed by the Company to identify if a troubled debt restructuring ("TDR") has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with the borrower's current financial status, and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Company may terminate foreclosure proceedings if the borrower is able to work out a satisfactory payment plan.

It is the Company's policy that any restructured loans on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance, at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regard to determination of the amount of the allowance for credit losses, troubled debt restructured loans are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Goodwill

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Intangible Assets

Intangible assets are being amortized on the straight-line basis over seven years. Such assets are periodically evaluated as to the recoverability of their carrying value.

Derivatives

Derivatives are recognized as assets and liabilities in the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing rights and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Treasury Stock

Treasury stock is stated at cost. Cost is determined by the weighted average cost method.

Stock Options

At June 30, 2013, the Company has a share-based employee compensation plan, which is described more fully in Note 19.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment.

If necessary, the Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries. With a few exceptions, the Company is no longer subject to tax examinations by tax authorities for years before 2010. As of June 30, 2013, the Company had no material uncertain income tax positions.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities and, if necessary, unrealized appreciation (depreciation) on available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income and unrealized gains and losses in derivative financial instruments that qualify for hedge accounting.

Advertising

Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on net income.

Note 2: Business Combinations

On November 16, 2012, the Company acquired 100% of the outstanding common stock of Cottage Savings Bank ("Cottage"). Cottage is a bank located in the Cincinnati metro area. As a result of the acquisition, the Company will have an opportunity to increase its deposit base and reduce transaction costs. The Company also expects to reduce costs through economies of scale.

In fiscal year 2013, the Company incurred $149 of third-party acquisition-related costs. The expenses are included in other expense in the Company's consolidated statement of income for the year ended June 30, 2013.

The goodwill of $2,603 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Company and Cottage. All of the goodwill was assigned to the banking segment of the business. Of that total amount, no goodwill is expected to be deductible for tax purposes.

(Dollar amounts in thousands)

The following table summarizes the consideration paid for Cottage and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Fair Value of Consideration Transferred		
Cash	$	9,382
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$	8,767
Interest-bearing time deposits		1,002
Loans		25,800
Federal Home Loan Bank stock		220
Premises and equipment		2,818
Interest receivable		37
Core deposit intangible		20
Other assets		846
Deposits		(29,502)
Federal Home Loan Bank advances		(2,127)
Deferred tax liability		(108)
Interest payable and other liabilities		(994)
Total identifiable net assets	$	6,779
Goodwill	$	2,603

The fair value of the assets acquired includes loans with a fair value of $25,800. The gross principal and contractual interest due under the contracts is $25,900, of which $203 is expected to be uncollectible.

(Dollar amounts in thousands)

Note 3: Securities

The amortized cost and approximate fair values of securities, together with gross unrealized gains and losses, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-sale Securities:				
June 30, 2013				
U.S. government agencies	$ 1,592	$ 59	$ -	$ 1,651
Mortgage-backed securities of U.S. government sponsored entities	16,907	330	(54)	17,183
State and political subdivisions	17,175	633	(108)	17,700
	$ 35,674	$ 1,022	$ (162)	$ 36,534
June 30, 2012				
U.S. government agencies	$ 4,145	$ 86	$ -	$ 4,231
Mortgage-backed securities of U.S. government sponsored entities	24,019	529	(79)	24,469
State and political subdivisions	14,007	807	(9)	14,805
	$ 42,171	$ 1,422	$ (88)	$ 43,505

The amortized cost and fair value of available-for-sale securities at June 30, 2013, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale Amortized Cost	Fair Value
Within one year	$ 317	$ 322
One to five years	3,510	3,679
Five to ten years	5,357	5,508
After ten years	9,583	9,842
	18,767	19,351
Mortgage-backed securities of U.S. government sponsored entities	16,907	17,183
Totals	$ 35,674	$ 36,534

(Dollar amounts in thousands)

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $5,919 at June 30, 2013 and $3,172 at June 30, 2012.

There were no sales of available-for-sale securities for the year ending June 30, 2013. Gross gains of $37 and gross losses of $3 resulting from sales of available-for-sale securities were realized for the year ending June 30, 2012.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2013 and 2012, was $9,612 and $9,311, which is approximately 26% and 21%, respectively, of the Company's available-for-sale investment portfolio. These declines primarily resulted from changes in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2013 and 2012:

	June 30, 2013					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities of U.S. government sponsored entities	$ 6,972	$ (52)	$ 532	$ (2)	$ 7,504	$ (54)
State and political subdivisions	2,108	(108)			2,108	(108)
Total temporarily impaired securities	$ 9,080	$ (160)	$ 532	$ (2)	$ 9,612	$ (162)

	June 30, 2012					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities of U.S. government sponsored entities	$ 7,022	$ (73)	$ 1,145	$ (6)	$ 8,167	$ (79)
State and political subdivisions	1,144	(9)	-	-	1,144	(9)
Total temporarily impaired securities	$ 8,166	$ (82)	$ 1,145	$ (6)	$ 9,311	$ (88)

(Dollar amounts in thousands)

Note 4: Loans and Allowance for Loan Losses

Categories of loans at June 30 include:

	2013	2012
Residential real estate		
One-to-four family residential	$ 127,580	$ 109,760
Multi-family residential	6,272	4,073
Construction	3,424	4,626
Nonresidential real estate and land	46,081	38,005
Commercial	6,263	6,331
Consumer and other	4,734	6,945
Total loans	194,354	169,740
Less		
Net deferred loan fees	319	294
Allowance for loan losses	2,154	2,186
Net loans	$ 191,881	$ 167,260

The risk characteristics of each loan portfolio segment are as follows:

Residential Real Estate

The residential real estate loans are generally secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Non-Residential Real Estate

Non-residential real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Commercial

The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

(Dollar amounts in thousands)

Consumer

The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

The following table presents the balance in the allowance for loan losses based on portfolio segment as of June 30, 2013 and 2012:

	June 30, 2013				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:					
Balance, July 1, 2012	$ 819	$ 736	$ 483	$ 148	$ 2,186
Provision for loan losses	312	(186)	337	(3)	460
Charge-offs	(43)	(44)	(347)	(72)	(506)
Recoveries	6	-	8	-	14
Balance, June 30, 2013	$ 1,094	$ 506	$ 481	$ 73	$ 2,154

	June 30, 2012				
	Residential Real Estate	Non-Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:					
Balance, July 1, 2011	$ 1,001	$ 1,209	$ 419	$ 80	$ 2,709
Provision for loan losses	138	(405)	1,166	76	975
Charge-offs	(329)	(68)	(1,116)	(15)	(1,528)
Recoveries	9	-	14	7	30
Balance, June 30, 2012	$ 819	$ 736	$ 483	$ 148	$ 2,186

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Years Ended June 30, 2013 and 2012
(Dollar amounts in thousands)

The following tables present the recorded investment in loans based on portfolio segment and impairment method as of June 30, 2013 and 2012:

	June 30, 2013				
	Residential Real Estate	Non- Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:					
Ending balance, individually evaluated for impairment	$ 164	$ 94	$ 64	$ 10	$ 332
Ending balance, collectively evaluated for impairment	$ 930	$ 412	$ 417	$ 63	$ 1,822
Loans:					
Ending balance	$ 137,276	$ 46,081	$ 6,263	$ 4,734	$ 194,354
Ending balance; individually evaluated for impairment	$ 2,964	$ 1,719	$ 103	$ 49	$ 4,835
Ending balance; collectively evaluated for impairment	$ 134,312	$ 44,362	$ 6,160	$ 4,685	$ 189,519

	June 30, 2012				
	Residential Real Estate	Non- Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:					
Ending balance, individually evaluated for impairment	$ 242	$ 336	$ 43	$ -	$ 621
Ending balance, collectively evaluated for impairment	$ 577	$ 400	$ 440	$ 148	$ 1,565
Loans:					
Ending balance	$ 118,459	$ 38,005	$ 6,331	$ 6,945	$ 169,740
Ending balance; individually evaluated for impairment	$ 2,562	$ 1,987	$ 924	$ 155	$ 5,628
Ending balance; collectively evaluated for impairment	$ 115,897	$ 36,018	$ 5,407	$ 6,790	$ 164,112

(Dollar amounts in thousands)

The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of June 30, 2013 and 2012:

	June 30, 2013				
	Residential Real Estate	Non- Residential Real Estate	Commercial	Consumer	Total
Pass	$ 133,681	$ 44,362	$ 6,160	$ 4,685	$ 188,888
Special mention	631	-	-	-	631
Substandard	2,964	1,719	103	49	4,835
Doubtful	-	-	-	-	-
Total	$ 137,276	$ 46,081	$ 6,263	$ 4,734	$ 194,354

	June 30, 2012				
	Residential Real Estate	Non- Residential Real Estate	Commercial	Consumer	Total
Pass	$ 114,920	$ 36,018	$ 2,792	$ 6,790	$ 160,520
Special mention	977	-	2,615	-	3,592
Substandard	2,562	1,987	924	155	5,628
Doubtful	-	-	-	-	-
Total	$ 118,459	$ 38,005	$ 6,331	$ 6,945	$ 169,740

The Bank has adopted a standard loan grading system for all loans.

Definitions:

Pass: Loans that do not exhibit the characteristics of the other four categories will be passed over and thereby classified as "Pass". These are loans that are performing as planned and show no material evidence of diminished value or added risk. The borrower is in compliance with loan covenants. All term loans are paying as agreed. It is the intention of management to avoid the adverse classification of good assets by defaulting to this category in the absence of evidence to the contrary.

Special Mention: Loans that do not currently expose the Company to a sufficient degree of risk to warrant classification under this policy but do possess credit deficiencies or potential weaknesses deserving management's close attention shall be designated Special Mention. These loans have a potential weakness or pose an unwarranted financial risk that, if not corrected, could weaken the loan and increase risk in the future.

Substandard: Loans classified Substandard are inadequately protected by current net worth and paying capacity of the obligor or of the collateral pledged. Loans so classified must have a well-defined weakness or weaknesses. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. The possibility that liquidation would not be timely requires a substandard classification even if there is little likelihood of a loss.

(Dollar amounts in thousands)

Doubtful: Loans classified Doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified Loss are considered uncollectible and of such little value that their continuance as loans is not warranted. This classification does not mean that an asset has absolutely no recovery or salvage value, but rather, that it is not practical or desirable to defer writing off a basically worthless loan even though partial recovery may be affected in the future.

The Company evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Company's loan portfolio aging analysis as of June 30, 2013 and 2012:

June 30, 2013

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Residential real estate	$ 2,404	$ 415	$ 1,636	$ 4,455	$ 132,821	$ 137,276	$ -
Non-residential real estate	1,096	-	1,719	2,815	43,266	46,081	-
Commercial	36	-	103	139	6,124	6,263	-
Consumer	78	113	281	472	4,262	4,734	230
Total	$ 3,614	$ 528	$ 3,739	$ 7,881	$ 186,473	$ 194,354	$ 230

June 30, 2012

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Residential real estate	$ 980	$ 671	$ 2,293	$ 3,944	$ 114,515	$ 118,459	$ -
Non-residential real estate	545	-	1,745	2,290	35,715	38,005	-
Commercial	482	162	673	1,317	5,014	6,331	-
Consumer	41	5	54	100	6,845	6,945	-
Total	$ 2,048	$ 838	$ 4,765	$ 7,651	$ 162,089	$ 169,740	$ -

(Dollar amounts in thousands)

The following tables present impaired loans as of and for the year ended June 30, 2013 and 2012:

	June 30, 2013				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Balance of Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:					
Residential real estate	$ 2,273	$ 2,561	$ -	$ 2,314	$ 75
Non-residential real estate	1,520	1,520	-	1,530	5
Commercial	39	39	-	168	5
Consumer	39	39	-	39	1
Loans with a specific valuation allowance:					
Residential real estate	691	724	164	688	9
Non-residential real estate	199	199	94	197	-
Commercial	64	254	64	105	-
Consumer	10	10	10	10	-
Total	$ 4,835	$ 5,346	$ 332	$ 5,051	$ 95

	June 30, 2012				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Balance of Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:					
Residential real estate	$ 1,741	$ 1,754	$ -	$ 1,754	$ 11
Non-residential real estate	1,394	1,394	-	1,644	28
Commercial	913	962	-	945	17
Consumer	54	54	-	57	2
Loans with a specific valuation allowance:					
Residential real estate	821	1,285	242	1,056	9
Non-residential real estate	593	593	336	595	16
Commercial	11	11	43	11	-
Consumer	101	101	-	138	2
Total	$ 5,628	$ 6,154	$ 621	$ 6,200	$ 85

(Dollar amounts in thousands)

Interest income recognized is not materially different than interest income that would have been recognized on a cash basis.

The following tables present the Company's nonaccrual loans at June 30, 2013 and 2012:

	2013	2012
Residential real estate	$ 1,636	$ 2,293
Non-residential real estate	1,719	1,745
Commercial	103	973
Consumer	52	54
Total nonaccrual	$ 3,510	$ 5,065

At June 30, 2013 and 2012, the Company had a certain number of loans that were modified in troubled debt restructurings and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity and interest only terms.

The following table presents information regarding troubled debt restructurings by class for the year ended June 30, 2013 and 2012.

Newly classified troubled debt restructurings:

		June 30, 2013	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Residential real estate	1	$ 14	$ 14
Non-residential real estate	-	-	-
Commercial	-	-	-
Consumer	-	-	-
	1	$ 14	$ 14

		June 30, 2012	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Residential real estate	2	$ 402	$ 402
Non-residential real estate	-	-	-
Commercial	1	800	800
Consumer	-	-	-
	3	$ 1,202	$ 1,202

The troubled debt restructurings described above had no impact on the allowance for loan losses and resulted in no charge offs during the year ended June 30, 2013 and 2012. The newly restructured loans referenced above were modified with extensions of maturities and interest only terms. There were no troubled debt restructurings modified in the past 12 months that subsequently defaulted.

(Dollar amounts in thousands)

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, at June 30, 2013 and 2012 were:

	2013	2012
Land	$ 2,277	$ 974
Buildings and improvements	4,125	2,420
Construction in process	-	26
Equipment	1,187	825
	7,589	4,245
Less accumulated depreciation	2,100	1,908
Net premises and equipment	$ 5,489	$ 2,337

Note 6: Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company has entered into interest rate swap agreements for a portion of its floating rate debt, which qualifies as a cash flow hedge. The agreements provide for the Company to receive interest from the counterparty at a rate equal to three month LIBOR plus 0.11% to 0.13%, depending on the agreement, and to pay interest to the counterparty at a fixed rate of 2.542% to 3.305%, depending on the agreement, on notional amounts totaling $11,815 at June 30, 2013. Under the agreements, the Company pays or receives the net interest amount monthly or quarterly, with the monthly settlements included in interest expense. The effective dates of the agreements are July 1, 2012 through January 14, 2013.

The effective portion of the gain or loss on the derivatives is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The following tables present the fair value and the effect of the derivative instrument on the balance sheet at June 30, 2013 and 2012:

(Dollar amounts in thousands)

June 30, 2013

Cash Flow Hedges	Fair Value	Balance Sheet Location	Amount of Gain Recognized in OCI
Interest rate swaps	$862	Liability	$179

June 30, 2012

Cash Flow Hedges	Fair Value	Balance Sheet Location	Amount of Loss Recognized in OCI
Interest rate swaps	$1,041	Liability	$990

At June 30, 2013, the Company is required to maintain $862 on deposit with the counterparty, Wells Fargo Bank.

Note 7: Goodwill

On November 16, 2012, the Company recorded $2,603 of goodwill in conjunction with the acquisition of Cottage Savings Bank. Subsequent to November 16, 2012, there has been no change to the carrying amount of goodwill.

Note 8: Other Intangible Assets

The carrying basis and accumulated amortization of recognized intangible assets at June 30, 2013 and 2012 were:

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangible	$ 253	$ 227	$ 233	$ 191

Amortization expense for each of the years ended June 30, 2013 and 2012 was $36 and $33, respectively. Estimated amortization expense for each of the following years is:

2014	$ 12
2015	3
2016	3
2017	2
2018	2
Thereafter	4
	$ 26

(Dollar amounts in thousands)

Note 9: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balance of mortgage loans serviced for others was $56,028 and $30,067 at June 30, 2013 and 2012, respectively.

The aggregate fair value of capitalized mortgage servicing rights at June 30, 2013 and 2012, totaled $448 and $180, respectively.

The following summarizes the activity pertaining to mortgage servicing rights measured using the amortization method:

	2013	2012
Mortgage servicing rights		
Balance at beginning of year	$ 180	$ 154
Capitalized from loan sales	107	93
Acquired from Cottage Savings Bank	227	-
Amortization	(66)	(67)
Balance at end of year	$ 448	$ 180

Note 10: Interest-bearing Time Deposits

Interest-bearing time deposits in denominations of $100 or more were $43,458 on June 30, 2013, and $42,161 on June 30, 2012.

At June 30, 2013, the scheduled maturities of time deposits are as follows:

2014	$ 46,102
2015	26,491
2016	20,924
2017	8,986
2018	4,484
	106,987
Acquisition accounting adjustment, net of amortization	230
	$ 107,217

Included in time deposits at June 30, 2013 and 2012 were $4,999 and $6,244, respectively, of deposits which were obtained through the Certificate of Deposit Account Registry Service (CDARS). This service allows deposit customers to maintain fully insured balances in excess of the $250 FDIC insurance limit without the inconvenience of having multi-banking relationships. Under the reciprocal program that the

(Dollar amounts in thousands)

Company is currently participating in, customers agree to allow the Company to place their deposits with other participating banks in the CDARS program in insurable amounts under $250. In exchange, other banks in the program agree to place their deposits with the Company also in insurable amounts under $250.

Note 11: Short-term Borrowings

Short-term borrowings consist of securities sold under agreements to repurchase, all of which are due in one year. The repurchase agreements consist of obligations of the Company to other parties. The obligations are secured by U.S. government agency securities and such collateral is held by the Company. The maximum amount of outstanding agreements at any month end during 2013 and 2012 totaled $1,961 and $2,236, respectively, and the daily average of such agreements totaled $1,339 and $1,345 for 2013 and 2012, respectively.

Note 12: Federal Home Loan Bank Advances

The Federal Home Loan Bank advances are secured by qualifying mortgage loans totaling $133,837 and the Company's investment in Federal Home Loan Bank stock. Advances, at interest rates ranging from 0.39% to 3.11%, are subject to restrictions or penalties in the event of prepayment.

Aggregate annual maturities of Federal Home Loan Bank advances at June 30, 2013 are as follows:

2014	$ 79
2015	1,800
2016	1,500
2017	815
2018	700
Thereafter	8,000
	12,894
Deferred prepayment penalty, net of amortization	(523)
	$ 12,371

During the year ended June 30, 2012, the Company prepaid $10,015 of Federal Home Loan Bank advances which resulted in prepayment penalties totaling $684. The Company replaced these advances with lower rate advances totaling $10,015, whose present value, based on discount rates equal to the cost of funds rates of the original advances, was not substantially different than the values of the original advances immediately prior to prepayment. As such, the Company was required to defer and amortize the $684 penalty over the lives of the new advances.

At June 30, 2013, the Company does not have a letter of credit with the Federal Home Loan Bank. At June 30, 2012, the Company had $7,536 available on its letter of credit with the Federal Home Loan Bank.

(Dollar amounts in thousands)

Note 13: Other Borrowings

At June 30, 2013, other borrowings consist of a demand note with the Farmers Bank and Savings Company in the amount of $3,000. If no demand is made, the Company will pay this note in one payment of all outstanding principal and unpaid accrued interest on October 2, 2013. The note is secured by the pledge of certain securities of the Company and the Bank. Interest, which is payable monthly, is calculated based on the Fed overnight rate plus 2.75% and is adjusted daily. At June 30, 2013, that rate is 3.00%.

Note 14: Income Taxes

The provision for income taxes includes these components:

	2013	2012
Taxes currently payable	$ 168	$ 396
Deferred income taxes	347	205
Income tax expense	$ 515	$ 601

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2013	2012
Computed at the statutory rate (34%)	$ 706	$ 766
Decrease resulting from		
Tax exempt interest	(155)	(154)
Bank owned life insurance	(45)	(45)
Other	9	34
Actual tax expense	$ 515	$ 601

(Dollar amounts in thousands)

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2013	2012
Deferred tax assets		
Allowance for loan losses	$ 732	$ 745
Deferred compensation	126	168
Tax credit	58	69
Accrued payroll	35	22
Interest rate swaps	293	354
Acquisition accounting adjustments	13	-
Other	157	113
	1,414	1,471
Deferred tax liabilities		
Federal Home Loan Bank stock dividends	(351)	(351)
Deferred Federal Home Loan Bank prepayment penalty	(178)	(228)
Deferred loan origination costs	(6)	(26)
Depreciation	(206)	-
Unrealized gains on available-for-sale securities	(292)	(454)
Mortgage servicing rights	(95)	(61)
	(1,128)	(1,120)
Net deferred tax asset	$ 286	$ 351

Retained earnings at both June 30, 2013 and 2012, include approximately $2,058, for which no deferred federal income tax liability has been recognized. These amounts represent an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liabilities on the preceding amounts that would have been recorded if they were expected to reverse into taxable income in the foreseeable future were approximately $700 at both June 30, 2013 and 2012.

Note 15: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), included in stockholders' equity, are as follows:

	2013	2012
Net unrealized gains on available-for-sale securities	$ 860	$ 1,334
Net unrealized loss on derivatives used for cash flow hedges	(862)	(1,041)
	(2)	293
Tax expense (benefit)	(1)	100
Accumulated other comprehensive income (loss), net of tax	$ (1)	$ 193

(Dollar amounts in thousands)

Note 16: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below). Management believes, as of June 30, 2013 and 2012, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2013, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2013						
Total risk-based capital (to risk-weighted assets)	$ 23,256	13.7%	$ 13,561	8.0%	$ 16,951	10.0%
Tier I capital (to risk-weighted assets)	21,136	12.5%	6,780	4.0%	10,170	6.0%
Tier I capital (to adjusted total assets)	21,136	8.2%	10,337	4.0%	12,921	5.0%
June 30, 2012						
Total risk-based capital (to risk-weighted assets)	$ 21,252	14.6%	$ 11,611	8.0%	$ 14,514	10.0%
Tier I capital (to risk-weighted assets)	19,433	13.4%	5,806	4.0%	8,709	6.0%
Tier I capital (to adjusted total assets)	19,433	8.2%	9,483	4.0%	11,854	5.0%

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. Generally, the Bank's payment of dividends is limited to net income for the current year plus the two preceding calendar years, less capital distributions paid over the comparable time period.

Note 17: Related Party Transactions

At June 30, 2013 and 2012, the Company had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties), in the amount of $1,132 and $1,534, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features.

Deposits from related parties held by the Company at June 30, 2013 and 2012 totaled $580 and $579, respectively.

Note 18: Employee Benefits

The Company has a defined contribution 401(k) plan covering substantially all employees. The Company matches 100% of the employee's contribution on the first 6% of the employee's compensation. Employer contributions charged to expense for 2013 and 2012, were $133 and $110, respectively.

Also, the Company has a deferred compensation agreement with certain active and retired officers. The agreement provides monthly payments that equal 70% of average compensation prior to retirement or death. The charge to expense for the agreement was $45 and $41 for 2013 and 2012, respectively. Such charges reflect the present value of vested benefits due each participant using a 5.0% discount factor. As of June 30, 2013 and 2012, the Company has an accrued liability of approximately $370 and $493, respectively.

The Company sponsors an employee stock ownership plan (ESOP) that covers substantially all full-time employees who have completed one year of service and have attained the age of 21. The Company records compensation expense equal to the fair value of ESOP shares allocated to participants during a given fiscal year. Expense related to the ESOP totaled approximately $88 and $97 for the fiscal years ended June 30, 2013 and 2012, respectively. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings.

For companies not listed on NASDAQ, government regulations require an employer with an ESOP to provide a put option to the plan's participants for repurchase of their investments in the Company's stock at the fair value price. This regulation was enacted to provide a ready market for the participant when a market may not otherwise readily exist. At June 30, 2013, the ESOP held 122,139 shares of the Company's stock with a total estimated value of approximately $1,629 based on recent market transactions.

Note 19: Share-Based Compensation Plans

On June 30, 2013, the Company has one share-based compensation plan, which is described below. The Company's stock option plan (SOP), which is shareholder approved, permits the grant of share options to its employees and directors for up to 225,423 shares of common stock. At June 30, 2013, all options under this plan have been granted.

The Company believes that such share-based awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on five years of continuous service and have ten-year contractual terms.

(Dollar amounts in thousands, except per share data)

A summary of option activity under the SOP as of June 30, 2013 and changes during the year then ended, is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding, beginning of year	2,684	$ 16.50	
Granted	-	-	
Exercised	-	-	
Forfeited or expired	-	-	
Outstanding, end of year	2,684	$ 16.50	1 yr.
Exercisable, end of year	2,684	$ 16.50	1 yr.

Note 20: Earnings Per Share

Earnings per share (EPS) were computed as follows:

	June 30, 2013		
	Net Income	Weighted-Average Shares	Per Share Amount
Net income	$ 1,563		
Basic earnings per share			
Income available to common stockholders	1,563	1,594,034	$ 0.98
Effect of dilutive securities			
Stock options	-	-	
Income available to common stockholders and assumed conversions	$ 1,563	1,594,034	$ 0.98

(Dollar amounts in thousands, except per share data)

	June 30, 2012		
	Net Income	Weighted-Average Shares	Per Share Amount
Net income	$ 1,653		
Basic earnings per share			
Income available to common stockholders	1,653	1,594,034	$ 1.04
Effect of dilutive securities			
Stock options	-	-	
Income available to common stockholders and assumed conversions	$ 1,653	1,594,034	$ 1.04

Options to purchase 2,684 shares of common stock at $16.50 per share were outstanding at June 30, 2013 and 2012, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

Note 21: Disclosures about Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

(Dollar amounts in thousands, except per share data)

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
June 30, 2013				
Assets				
U.S. government agencies	$ 1,651	$ -	$ 1,651	$ -
Mortgage-backed securities of U.S. government sponsored entities	17,183	-	17,183	-
State and political subdivisions	17,700	-	17,700	-
Liabilities				
Derivative financial instruments	862	-	862	-
June 30, 2012				
U.S. government agencies	$ 4,231	$ -	$ 4,231	$ -
Mortgage-backed securities of U.S. government sponsored entities	24,469	-	24,469	-
State and political subdivisions	14,805	-	14,805	-
Liabilities				
Derivative financial instruments	1,041	-	1,041	-

(Dollar amounts in thousands, except per share data)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2013.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and is calculated using discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Nonrecurring Measurements

The following table presents the fair value measurements of assets measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
June 30, 2013				
Impaired loans (collateral dependent)	$ 653	$ -	$ -	$ 653
Foreclosed assets held for sale	209	-	-	209
June 30, 2012				
Impaired loans (collateral dependent)	$ 904	$ -	$ -	$ 904

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale, or other real estate owned (OREO), is carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of OREO is based on appraisals or evaluations. OREO is classified within Level 3 of the fair value hierarchy.

Appraisals of OREO are obtained when the real estate is acquired and subsequently as deemed necessary by the Chief Financial Officer. Appraisals are reviewed for accuracy and consistency by the Chief Financial Officer. Appraisers are selected from the list of approved appraisers maintained by management.

Collateral-dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Chief Financial Officer. Appraisals are reviewed for accuracy and consistency by the Chief Financial Officer. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Chief Financial Officer by comparison to historical results.

<u>Unobservable (Level 3) Inputs</u>

The following table presents quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value at 6/30/2013	Valuation Technique	Unobservable Inputs	Range
Impaired loans (collateral dependent)	$ 653	Market comparable properties	Selling Cost	10%
Foreclosed assets held for sale	209	Market comparable properties	Selling Cost	10%

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Interest-bearing time deposits in banks, Federal Home Loan Bank stock and Interest Receivable

The carrying amount approximates fair value.

Loans

Fair value is estimated by discounting the future cash flows using the market rates at which similar notes would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Banks would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity, and the structure and term of the loans along with local economic and market conditions.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The market rates used were obtained from a knowledgeable independent third party and reviewed by the Company. The rates were the average of current rates offered by local competitors of the bank subsidiaries.

The estimated fair value of demand, savings, NOW and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Short-term borrowings, Interest Payable and Advances from Borrowers for Taxes and Insurance

The carrying amount approximates fair value.

Federal Home Loan Bank Advances

Fair value is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by FHLB.

Other Borrowings

Fair value of other borrowings is estimated based on current borrowing rates currently available to the Company borrowings with similar terms and maturities.

Commitments to Originate Loans, Forward Sale Commitments, Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

(Dollar amounts in thousands, except per share data)

The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

	June 30, 2013		June 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 14,088	$ 14,088	$ 16,514	$ 16,514
Available-for-sale securities	36,534	36,534	43,505	43,505
Loans, net of allowance for loan losses	191,881	192,537	167,260	175,055
Federal Home Loan Bank stock	1,547	1,547	1,327	1,327
Interest receivable	982	982	914	914
Financial liabilities				
Deposits	$ 220,531	$ 222,090	$ 199,995	$ 198,347
Short term borrowings	687	687	1,572	1,573
Federal Home Loan Bank advances	12,371	12,904	12,331	13,160
Other borrowings	3,000	3,000	-	-
Advances from borrowers for taxes and insurance	227	227	226	226
Interest payable	333	333	287	287

Note 22: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

(Dollar amounts in thousands, except per share data)

Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

The Company's outstanding commitments as of June 30, 2013 and 2012 were as follows:

	2013	2012
Commitments to originate loans	$ 5,273	$ 7,224
Unused lines of credit	11,546	9,164
Undisbursed balance of loans closed	573	1,295
Total	$ 17,392	$ 17,683

Note 23: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

Assets	2013	2012
Cash and due from banks	$ 5	5
Interest-bearing deposits	282	963
Total cash and cash equivalents	287	968
Investment in common stock of subsidiary	23,809	19,848
Other assets	515	576
Total assets	$ 24,611	$ 21,392
Liabilities		
Other borrowings	$ 3,000	$ -
Dividends payable	287	287
Other liabilities	8	10
Total liabilities	3,295	297
Stockholders' Equity	21,316	21,095
Total liabilities and stockholders' equity	$ 24,611	$ 21,392

(Dollar amounts in thousands, except per share data)

Condensed Statements of Income

	2013	2012
Income		
Dividends from subsidiary	$ 1,500	$ 1,550
Other income	3	6
Total income	1,503	1,556
Expenses		
Interest expenses	27	-
Other expenses	117	146
Total expense	144	146
Income Before Income Tax and Equity in Undistributed Earnings of Subsidiary	1,359	1,410
Income Tax Benefit	(48)	(47)
Income Before Equity in Undistributed Earnings of Subsidiary	1,407	1,457
Equity in Undistributed Earnings of Subsidiary	156	196
Net Income	$ 1,563	$ 1,653

(Dollar amounts in thousands, except per share data)

Condensed Statements of Cash Flows

	2013	2012
Operating Activities		
Net income	$ 1,563	$ 1,653
Items not requiring (providing) cash	(96)	386
Net cash provided by operating activities	1,467	2,039
Investing Activities-Capital infusion into bank	(4,000)	-
Financing Activities		
Proceeds from other borrowings	3,000	-
Payment of dividends	(1,148)	(1,146)
Net cash provided by (used in) financing activities	1,852	(1,146)
Net Change in Cash and Cash Equivalents	(681)	893
Cash and Cash Equivalents at Beginning of Year	968	75
Cash and Cash Equivalents at End of Year	$ 287	$ 968

Note 24: Subsequent Events

Subsequent events have been evaluated through August 22, 2013, which is the date the financial statements were available to be issued.

DIRECTORS, OFFICERS AND EMPLOYEES

DIRECTORS
Robert M. Smith
Chairman

Robert L. Bollin
Past President Winton Savings and Loan

William J. Burke
Osco Industries

Christopher H. Lute
Lute Supply

Larry F. Meredith
Former Superintendent, Pike County Schools

Richard W. Morgan
Morgan Brothers Jewelers

OFFICERS
Robert M. Smith, President and CEO
Jack Stephenson, Senior Vice President Lending
Sherri Collins, Vice President, Chief Operating Officer
Gregory G. Eagan, Vice President, Chief Financial Officer
Mike Berry, AVP, IT Manager
Christi Deemer, AVP, Internal Auditor
Greg Flowers, AVP, Loan Operations Supervisor
Brenda Middleton, AVP, South Shore Branch Manager
Donald Moritz, AVP, Compliance and Security Officer
Angie Morrison, AVP, Wheelersburg Branch Manager
Summer Pettay-Kirby, AVP, Commercial Lending Officer
Leigh Anne Smith, AVP, Corporate Communications

EMPLOYEES

Main Office
Katherine Apel, Teller
Amanda Bussey, Operations Clerk
Robyn Cheek, Senior Operations Clerk
Amanda Cook, CSR
Diana Donahoe, Branch Manager
Kathy Fish, CSR
Janet Huffman, Head Teller
Hope Kennedy, Teller
Trista Liston, Operations Clerk
Jay Little, IT Assistant
Wes Lyon, Staff Accountant
Todd Medley, Loan Officer
Ashley Morris, Teller
Sheri Noel, CSR
Dreama Piatt, Operations Clerk
Julie Pollard, Escrow Clerk

Main Office (continued)
Beth Roberts, Escrow Clerk
Nicole Sinclair, Commercial Loan Processing
Brenda Smith, Loan Servicing
Sherri Sparks, Consumer Loan Processing
Melissa Spergin, Teller
Joyce Staker, Consumer Loan Processing
Heidi Stewart, Teller
Dani Summers, Teller
Tom Wamsley, Collections Officer
Joie Woodson, Accounting Clerk
Taryn Zukoski, Administrative Assistant

Drive Thru
Amanda Eller, Teller
Amanda Evans, Teller
Christa Hemming, Teller
Nikki Moore, Teller
Michelle Ruby, Manager and Training Coordinator

Waverly
Nancy Cool, Branch Manager
Sandy Crall, Assistant Branch Manager
Vickie McGraw, Head Teller
Cindy McGuire, Teller
Jenny Tribby, Teller

Wheelersburg
Geneva Collett, Teller
Rhonda Jarrells, Head Teller
Marilyn Ramey, Teller
Jennifer Stidham, CSR
Jim Younkin, Loan Officer

South Shore
Norma Wampler, Head Teller
Janet Williams, Teller

Montgomery
Dorothea Burke, Branch Manager
Barb Farris, Loan Officer
Balbina Maniet, Teller
Ben Semancik, CSR
Rick Yeager, Loan Officer

Madeira
Christine Hollatz, Teller
Trisha Kelly, CSR
Christy Schroeder, Branch Manager

Money Concepts
Steve Conley, President
Sarah Ralstin, Associate

LOCATIONS

HOLDING COMPANY

ASB Financial Corp.
503 Chillicothe Street
Portsmouth, Ohio 45662

AMERICAN SAVINGS BANK

Main Office
503 Chillicothe Street
Portsmouth, Ohio 45662

Portsmouth Drive Thru
907 Chillicothe Street
Portsmouth, Ohio 45662

Waverly
951 West Emmitt Avenue
Waverly, Ohio 45690

Wheelersburg
7920 Ohio River Road
Wheelersburg, Ohio 45694

South Shore
347 James Hannah Drive
South Shore, Kentucky 41175

Montgomery
9813 Montgomery Road
Cincinnati, Ohio 45242

Madeira
7114 Miami Avenue
Cincinnati, Ohio 45243

INTERNET

www.bankwithasb.com

SHAREHOLDER SERVICES

Illinois Stock Transfer Company serves as transfer agent and dividend distributing agent for ASB's shares. Communications regarding change of address, transfer of shares, lost certificates and dividends should be sent to:

Illinois Stock Transfer Company
433 S Carlton Ave
Wheaton, Illinois 60187
(630) 480-0393

ANNUAL MEETING

The Annual Meeting of Shareholders of ASB Financial Corp. will be held on October 23, 2013, at 10:00 a.m., local time, at The Lofts, 840 Gallia Street, Portsmouth, Ohio 45662. Shareholders are cordially invited to attend.

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ASB FINANCIAL CORP.