

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

**For the Quarter Ended
September 30, 2005**

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ASB Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

ASSETS	September 30, 2005	June 30, 2005
Cash and due from banks	\$ 1,111	\$ 1,505
Interest-bearing deposits in other financial institutions	<u>8,170</u>	<u>10,287</u>
Cash and cash equivalents	9,281	11,792
Certificates of deposit in other financial institutions	73	72
Investment securities available for sale - at market	9,107	9,038
Mortgage-backed securities available for sale - at market	8,584	9,556
Loans receivable - net	149,255	146,134
Office premises and equipment - at depreciated cost	2,246	2,160
Federal Home Loan Bank stock - at cost	1,168	1,154
Accrued interest receivable on loans	484	501
Accrued interest receivable on mortgage-backed securities	35	38
Accrued interest receivable on investments and interest-bearing deposits	93	69
Prepaid expenses and other assets	212	274
Bank owned life insurance	3,264	3,240
Prepaid federal income taxes	-	-
Deferred federal income taxes	<u>183</u>	<u>784</u>
Total assets	<u>\$183,985</u>	<u>\$184,812</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$145,162	\$143,278
Advances from the Federal Home Loan Bank	20,237	20,284
Advances by borrowers for taxes and insurance	115	193
Accrued interest payable	616	81
Accrued federal income taxes	-	580
Other liabilities	<u>1,248</u>	<u>1,201</u>
Total liabilities	167,378	165,617
Shareholders' equity		
Preferred stock, 1,000,000 shares authorized, no par value; no shares issued	-	-
Common stock, 4,000,000 shares authorized, no par value; 1,967,676 and 1,967,676 shares issued at September 30, 2005 and June 30, 2005, respectively	-	-
Additional paid-in capital	10,237	10,823
Retained earnings, restricted	11,815	10,978
Shares acquired by stock benefit plans	(63)	(63)
Accumulated comprehensive income, unrealized gains on securities designated as available for sale, net of related tax effects	409	542
Less 378,592 shares of treasury stock at September 30, 2005 and 261,271 at June 30 2005 - at cost	<u>(5,791)</u>	<u>(3,085)</u>
Total shareholders' equity	<u>16,607</u>	<u>19,195</u>
Total liabilities and shareholders' equity	<u>\$183,985</u>	<u>\$184,812</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended September 30, 2005 and 2004
(In thousands, except per share data)

	2005	2004
Interest income		
Loans	\$2,311	\$2,095
Mortgage-backed securities	83	91
Investment securities	<u>117</u>	<u>121</u>
Total interest income	2,511	2,307
Interest expense		
Deposits	924	720
Borrowings	<u>202</u>	<u>90</u>
Total interest expense	<u>1,126</u>	<u>810</u>
Net interest income	1,385	1,497
Provision for losses on loans	<u>42</u>	<u>21</u>
Net interest income after provision for losses on loans	1,343	1,476
Other income		
Gain on sale of investments	34	-
Other operating	<u>247</u>	<u>178</u>
Total other income	281	178
General, administrative and other expense		
Employee compensation and benefits	528	531
Occupancy and equipment	66	57
Data processing	120	119
Other operating	<u>304</u>	<u>256</u>
Total general, administrative and other expense	<u>1,018</u>	<u>963</u>
Earnings before income taxes	606	691
Federal income taxes		
Current	(501)	277
Deferred	<u>601</u>	<u>(87)</u>
Total federal income taxes	<u>100</u>	<u>190</u>
NET EARNINGS	<u>\$ 506</u>	<u>\$ 501</u>
EARNINGS PER SHARE		
Basic	<u>\$.32</u>	<u>\$.30</u>
Diluted	<u>\$.31</u>	<u>\$.29</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended September 30, 2005 and 2004
(In thousands)

	2005	2004
Net earnings	\$506	\$501
Other comprehensive income, net of tax:		
Unrealized holding gains (losses) on securities during the period, net of taxes (benefits) of \$125 and \$(73) in 2004 and 2003, respectively	<u>(133)</u>	<u>243</u>
Comprehensive income	<u>\$373</u>	<u>\$744</u>
Accumulated comprehensive income	<u>\$409</u>	<u>\$531</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended September 30, 2005 and 2004
(In thousands)

	2005	2004
Cash flows from operating activities:		
Net earnings for the period	\$ 506	\$ 501
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization of discounts and premiums on loans, investments and mortgage-backed securities - net	(12)	30
Amortization of deferred loan origination fees	(19)	(17)
Depreciation and amortization	39	40
Provision for losses on loans	42	21
Federal Home Loan Bank stock dividends	(14)	(12)
Gain on sale of investment securities	(34)	-
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	(4)	73
Prepaid expenses and other assets	38	53
Accrued interest payable	535	374
Other liabilities	47	218
Federal income taxes		
Current	66	123
Deferred	<u>24</u>	<u>(87)</u>
Net cash provided by operating activities	1,214	1,317
Cash flows provided by (used in) investing activities:		
Proceeds from maturities of investment securities	1,000	1,000
Proceeds from maturities of certificates of deposit	-	107
Proceeds from sale of investment securities	34	-
Purchase of investment securities	(1,240)	(761)
Principal repayments on mortgage-backed securities	917	1,152
Purchase of mortgage-backed securities	-	(1,349)
Loan principal repayments	10,692	10,317
Loan disbursements	(13,800)	(15,689)
Purchase of office premises and equipment	<u>(125)</u>	<u>(53)</u>
Net cash used in investing activities	(2,522)	(5,276)
Cash flows provided by (used in) financing activities:		
Net increase (decrease) in deposit accounts	1,884	(53)
Proceeds from issuance of shares under stock option plan	-	192
Proceeds from Federal Home Loan Bank advances	1,800	3,000
Repayment of Federal Home Loan Bank advances	(1,847)	(1,298)
Advances by borrowers for taxes and insurance	(78)	(84)
Purchase of treasury stock	(2,706)	-
Dividends paid on common shares	<u>(255)</u>	<u>(258)</u>
Net cash provided by (used in) financing activities	<u>(1,202)</u>	<u>1,499</u>
Net decrease in cash and cash equivalents	(2,510)	(2,460)
Cash and cash equivalents at beginning of period	<u>11,864</u>	<u>7,385</u>
Cash and cash equivalents at end of period	<u>\$ 9,354</u>	<u>\$ 4,925</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the three months ended September 30, 2005 and 2004
(In thousands)

	2005	2004
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowings	<u>\$591</u>	<u>\$ 436</u>
Income taxes	<u>\$178</u>	<u>\$ -</u>
Supplemental disclosure of noncash investing activities:		
Unrealized gains (losses) on securities designated as available for sale, net of related tax effects	<u>\$(133)</u>	<u>\$243</u>

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2005 and 2004

1. Basis of Presentation

The accompanying unaudited consolidated financial statements do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of ASB Financial Corp. (the "Corporation") included in the Annual Report for the year ended June 30, 2005. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the financial statements have been included. The results of operations for the three-month period ended September 30, 2005, are not necessarily indicative of the results which may be expected for the entire fiscal year.

2. Principles of Consolidation

The accompanying consolidated financial statements include all of the accounts of the Corporation, American Savings Bank, fsb ("American"), ASB Community Development Corp. and A.S.L. Services, Inc., American's wholly-owned subsidiaries. All significant intercompany items have been eliminated.

3. Critical Accounting Policies

Certain of the Corporation's accounting policies are important to the portrayal of the Corporation's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but without limitation, changes in interest rates, changes in the performance of the economy or changes in the financial condition of borrowers. Management believes that its critical accounting policy focuses primarily on determining the allowance for loan losses. This critical accounting policy is discussed in detail in the Annual Report to Shareholders for the year ended June 30, 2005 in Note A of the Notes to Consolidated Financial Statements under "Allowance for Loan Losses." If management were to underestimate the allowance for loan losses, earnings could be reduced in the future as a result of greater than expected net loan losses. Overestimations of the required allowance could result in future increases in income, as loan loss recoveries increase or provisions for losses on loans decrease.

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended September 30, 2005 and 2004

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period less shares in the ASB Financial Corp. Employee Stock Ownership Plan (“ESOP”) that are unallocated and not committed to be released. At September 30, 2005, all ESOP shares have been allocated and released. Diluted earnings per common share include the dilutive effect of all additional potential common shares issuable under the Corporation’s stock option plan. The computations are as follows:

For the three months ended September 30,	2005	2004
Weighted-average common shares outstanding (basic)	1,603,112	1,685,248
Dilutive effect of assumed exercise of stock options	<u>5,517</u>	<u>43,382</u>
Weighted-average common shares outstanding (diluted)	<u>1,608,629</u>	<u>1,712,987</u>

5. Stock Option Plan

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

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

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended September 30, 2005 and 2004

5. Stock Option Plan (continued)

The Corporation applies APB Opinion No. 25 and related Interpretations in accounting for the Plan. Accordingly, no compensation cost has been recognized for the Plan. Had compensation cost for the Plan been determined based on the fair value at the grant dates for awards under the Plan consistent with the accounting method utilized in SFAS No. 123, the Corporation's net earnings and earnings per share for the three-month periods ended September 30, 2004 and 2003, would have been reported as the pro forma amounts indicated below:

		Three months ended September 30,	
		2005	2004
Net earnings (In thousands)	As reported	\$506	\$501
	Stock-based compensation, net of tax Pro-forma	<u>\$501</u>	<u>\$500</u>
Earnings per share Basic	As reported	\$.32	\$.30
	Stock-based compensation, net of tax Pro-forma	<u>\$.32</u>	<u>\$.30</u>
Diluted	As reported	\$.31	\$.29
	Stock-based compensation, net of tax Pro-forma	<u>\$.31</u>	<u>\$.29</u>

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model with the following assumptions used for grants during fiscal 2005 and 2004: dividend yield of 2.3% ; expected volatility of 20.0% for both years; a risk-free interest rate of 4.3%; and an expected life of ten years for all grants.

A summary of the status of the Corporation's Plan as of September 30, 2005 and June 30, 2005 and 2004, and changes during the periods ending on those dates is presented below:

	Three months ended September 30, 2005		Year ended June 30, 2005		2004	
	Shares	Weighted- average exercise price	Shares	Weighted- average exercise price	Shares	Weighted- average exercise price
Outstanding at beginning of period	21,632	\$15.83	78,128	\$10.15	77,694	\$ 8.89
Granted	-	-	-	-	6,000	26.00
Exercised	-	-	(56,496)	7.98	(5,566)	9.57
Forfeited	-	-	-	-	-	-
Outstanding at end of period	<u>21,632</u>	<u>\$11.34</u>	<u>21,632</u>	<u>\$15.83</u>	<u>78,128</u>	<u>\$ 10.15</u>
Options exercisable at period-end	<u>9,746</u>	<u>\$11.93</u>	<u>9,004</u>	<u>\$11.55</u>	<u>59,616</u>	<u>\$ 7.87</u>
Weighted-average fair value of options granted during the period		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 11.41</u>

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended September 30, 2005 and 2004

5. Stock Option Plan (continued)

The following information applies to options outstanding at September 30, 2005:

Number outstanding	9,220
Range of exercise prices	\$8.75
Number outstanding	12,410
Range of exercise prices	\$16.50-\$26.00
Weighted-average exercise price	\$21.09
Weighted-average remaining contractual life	7.3 years

ASB Financial Corp.

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

Forward Looking Statements

Certain statements contained in this report that are not historical facts are forward-looking statements that are subject to certain risks and uncertainties. When used herein, the terms "anticipates," "plans," "expects," "believes," and similar expressions as they relate to ASB or its management are intended to identify such forward looking statements. ASB's actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, and rapidly changing technology affecting financial services.

Discussion of Financial Condition Changes from June 30, 2005 to September 30, 2005

At September 30, 2005, the Corporation's assets totaled \$184.0 million, a decrease of \$800,000, or .4%, over total assets at June 30, 2005.

Cash and cash equivalents decreased by \$2.5 million, or 21.3%, from June 30, 2005 levels, to a total of \$9.3 million at September 30, 2005. Investment securities and certificates of deposit totaled \$9.2 million at September 30, 2005, an increase of \$70,000, or .8%, from June 30, 2005 levels. Maturities and discount accretion related to investment securities totaling approximately \$1.1 million, were offset by purchases of \$1.2 million. Purchases of investment securities consisted primarily of fixed-rate medium-term callable U.S. Government agency obligations. Mortgage-backed securities totaled \$8.6 million at September 30, 2005, a decrease of \$972,000, or 10.2%, from the total at June 30, 2005, due primarily to principal repayments of \$917,000, a pre-tax decrease in unrealized gains totaling \$38,000 and premium amortization of \$17,000.

Loans receivable increased by \$3.1 million, or 2.1%, during the three-month period ended September 30, 2005, to a total of \$149.3 million. Loan disbursements amounted to \$13.8 million for the three months ended September 30, 2005, and were partially offset by principal repayments of \$10.7 million. During the three months ended September 30, 2005, loans originated consisted of \$6.7 million of loans secured by one- to four-family residential real estate, \$646,000 of loans secured by nonresidential real estate, \$5.0 million of commercial loans and \$1.5 million of consumer loans.

The allowance for loan losses totaled \$1.3 million at September 30, 2005 and June 30, 2005. Nonperforming and nonaccrual loans totaled \$844,000 at September 30, 2005, an increase of \$101,000, or 13.6% from the total at June 30, 2005. The allowance for loan losses represented 154.0% and 170.8% of nonperforming loans at September 30, 2005 and June 30, 2005, respectively. At September 30, 2005, nonperforming loans consisted of \$666,000 in one- to four-family residential real estate loans and \$178,000 in nonresidential real estate, consumer and other loans. Management believes such loans are adequately collateralized and does not expect to incur any losses on such loans. Although management believes that its allowance for loan losses at September 30, 2005, was adequate based upon the available facts and circumstances, there can be no assurance that additions to such allowance will not be necessary in future periods, which could adversely affect the Corporation's results of operations.

Deposits totaled \$145.2 million at September 30, 2005, an increase of \$1.9 million, or 1.3%, from June 30, 2005 levels. The increase in deposits was due primarily to increases in jumbo CD's and checking accounts.

ASB Financial Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Discussion of Financial Condition Changes from June 30, 2005 to September 30, 2005 (continued)

Federal Home Loan Bank advances decreased by \$47,000, or .2%, during the three month period ended September 30, 2005. Advances amounted to \$1.8 million for the three months ended September 30, 2005, and were offset by repayments of \$1.8 million. The proceeds from the advances were used to fund new loan originations.

Shareholders' equity totaled \$16.6 million at September 30, 2005, a decrease of \$2.6 million, or 13.5%, from the June 30, 2005 level. The decrease was due to net earnings of \$506,000 which was offset by a \$133,000 net decrease in unrealized gains on securities, dividends on common shares totaling \$255,000 and \$2.7 million in treasury share repurchases. Dividends totaled \$.16 per share for the three months ended September 30, 2005.

American is required to meet minimum regulatory capital requirements promulgated by the Office of Thrift Supervision ("OTS"). At September 30, 2005, American's regulatory capital exceeded the minimum capital requirements.

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2005 and 2004

General

Net earnings totaled \$506,000 for the three months ended September 30, 2005, and increase of \$5,000, or 1.0% from the same period in 2004. An decrease of \$112,000 in net interest income and increases of \$55,000 in general, administrative and other expense and \$21,000 in the provision for losses on loans were offset by a decrease in the provision for federal income taxes of \$90,000 and an increase of \$103,000 in other income

Net Interest Income

Interest income on loans increased by \$216,000, or 10.3%, for the three months ended September 30, 2005, compared to the 2004 period. This increase was due primarily to a \$15.4 million, or 11.5%, increase in the average portfolio balance outstanding period to period, the weighted-average yield, of 6.19%, was unchanged for the 2005 three-month period. Interest income on investment securities, mortgage-backed securities and interest-bearing deposits decreased by \$12,000, or 5.7%, due primarily to a 25 basis point increase in the weighted-average yield, to 3.15% for the 2005 period, which was offset by a \$3.8 million, or 15.2%, decrease in the average balance of the related assets outstanding period to period.

Interest expense on deposits increased by \$204,000, or 28.3%, for the three months ended September 30, 2005, compared to the same period in 2004. This increase was due primarily to a 43 basis point increase in the weighted-average cost of deposits, to 2.58% for the three months ended September 30, 2005 and a \$8.7 million, or 6.4%, increase in the average balance of deposits outstanding period to period. Interest expense on borrowings increased by \$112,000, or 124.4%, due to a 108 basis point increase in the average cost of borrowings during the period and a \$7.9 million, or 63.6%, increase in the average balance outstanding. The increase in the yields on interest-earning assets and the costs of interest-bearing liabilities was due primarily to the effect of increases in interest rates in the economy.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by \$112,000, or 7.5%, to a total of \$1.4 million for the three months ended September 30, 2005. The interest rate spread decreased to 3.03% for the three months ended September 30, 2005, from 3.49% for the 2004 period, while the net interest margin decreased to 3.17% in the 2005 period, compared to 3.67% in the 2004 period.

ASB Financial Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2005 and 2004 (continued)

Provision for Losses on Loans

American charges a provision for losses on loans to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience, the volume and type of lending conducted by American, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to American's market area, and other factors related to the collectibility of American's loan portfolio. The Corporation recorded a provision for losses on loans totaling \$42,000 during the three months ended September 30, 2005, a increase of \$21,000, or 100.0%, from the comparable three-month period in 2004. The increase in the provision during the 2005 period was primarily influenced by an increase in the balance of commercial loans outstanding over the year. There can be no assurance that the loan loss allowance will be adequate to absorb losses on known nonperforming loans or that the allowance will be adequate to cover losses on nonperforming assets in the future, which could adversely affect the Corporation's results of operations.

Other Income

Other income totaled \$281,000 for the three months ended September 30, 2005, a increase of \$103,000, or 57.9%, from the same period in 2004. The increase was due to an increase of \$34,000 in gain on sale of investment securities and a \$69,000 increase in other operating income, primarily derived from increased ATM transaction fees, income from bank owned life insurance and other charges.

General, Administrative and Other Expense

General, administrative and other expense totaled \$1.0 million for the three months ended September 30, 2005, an increase of \$55,000, or 5.7%, over the same period in 2004. This increase was comprised of a decrease of \$3,000, or .6%, in employee compensation and benefits which was offset by increases of \$1,000, or .8%, in data processing costs, \$9,000, or 15.8%, in occupancy and equipment and \$48,000, or 18.8%, in other operating expense. The increase in occupancy and equipment was due to higher depreciation expense recognized in connection with the completion of a new branch location. The increase in data processing was due primarily to rising vendor costs. The increase in other operating expenses was due to increases in franchise tax, office supplies and other expenses.

Federal Income Taxes

The provision for federal income taxes totaled \$100,000 for the three months ended September 30, 2005, a decrease of \$90,000, or 47.4%, compared to the same period in 2004. This decrease was due to a combination of a decline in earnings before taxes of \$85,000, or 12.3%, the effects of New Markets Tax Credits which were awarded to ASB Community Development Corp. in fiscal 2003 and prior year overpayments. The effective tax rates were 16.5% and 27.5% for the three-month periods ended September 30, 2005 and 2004, respectively.

