

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

**For the Quarter Ended
September 30, 2008**

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ASB Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

ASSETS	September 30, 2008	June 30, 2008
Cash and due from banks	\$ 1,586	\$ 1,541
Interest-bearing deposits in other financial institutions	<u>4,450</u>	<u>6,515</u>
Cash and cash equivalents	6,036	8,056
Certificates of deposit in other financial institutions		700
Available-for sale securities	28,410	31,288
Loans receivable - net	165,589	164,636
Office premises and equipment - at depreciated cost	2,502	2,551
Federal Home Loan Bank stock - at cost	1,327	1,309
Accrued interest receivable	1,077	1,115
Prepaid expenses and other assets	1,081	1,174
Bank owned life insurance	3,626	3,608
Prepaid federal income taxes	580	637
Core deposits intangible	166	174
Deferred federal income taxes	<u>879</u>	<u>785</u>
Total assets	<u>\$211,273</u>	<u>\$216,033</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$169,782	\$173,453
Advances from the Federal Home Loan Bank	21,438	21,870
Advances by borrowers for taxes and insurance	106	192
Accrued interest payable and other liabilities	<u>2,766</u>	<u>3,022</u>
Total liabilities	194,092	198,537
Shareholders' equity		
Preferred stock, 1,000,000 shares authorized, no par value; no shares issued	-	-
Common stock, 4,000,000 shares authorized, no par value; 1,858,426 shares issued at September 30, 2008 and June 30, 2008	-	-
Additional paid-in capital	8,313	8,313
Retained earnings, restricted	12,278	12,422
Accumulated comprehensive income, unrealized gains on securities designated as available for sale, net of related tax effects	(194)	(23)
Less 263,468 shares of treasury stock at September 30, 2008 and June 30 2008 - at cost	<u>(3,216)</u>	<u>(3,216)</u>
Total shareholders' equity	<u>17,181</u>	<u>17,496</u>
Total liabilities and shareholders' equity	<u>\$211,273</u>	<u>\$216,033</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended September 30, 2008 and 2007
(In thousands, except per share data)

	2008	2007
Interest income		
Loans	\$2,712	\$3,000
Mortgage-backed securities	223	149
Investment securities	<u>172</u>	<u>166</u>
Total interest income	3,107	3,315
Interest expense		
Deposits	1,257	1,682
Borrowings	<u>242</u>	<u>257</u>
Total interest expense	<u>1,499</u>	<u>1,939</u>
Net interest income	1,608	1,376
Provision for losses on loans	<u>21</u>	<u>30</u>
Net interest income after provision for losses on loans	1,587	1,346
Other income		
Loss on sale of investment securities	(483)	
Other operating	<u>350</u>	<u>312</u>
Total other income	(133)	312
General, administrative and other expense		
Employee compensation and benefits	689	657
Occupancy and equipment	105	86
Data processing	136	151
Other operating	<u>331</u>	<u>348</u>
Total general, administrative and other expense	<u>1,261</u>	<u>1,242</u>
Earnings before income taxes	193	416
Federal income taxes		
Current	57	75
Deferred	<u>(6)</u>	<u>(7)</u>
Total federal income taxes	<u>51</u>	<u>68</u>
NET EARNINGS	<u>\$ 142</u>	<u>\$ 348</u>
EARNINGS PER SHARE		
Basic	<u>\$.09</u>	<u>\$.22</u>
Diluted	<u>\$.09</u>	<u>\$.22</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended September 30, 2008 and 2007
(In thousands)

	2008	2007
Net earnings	\$142	\$348
Other comprehensive income, net of tax:		
Reclassification adjustment for realized losses included in earnings, net of taxes (benefits) of (\$165,000) and \$0 in 2008 and 2007, respectively	319	
Unrealized holding gains (losses) on securities during the period, net of taxes (benefits) of \$(88) and \$86 in 2008 and 2007, respectively	<u>(171)</u>	<u>166</u>
Comprehensive income	<u>\$290</u>	<u>\$514</u>
Accumulated comprehensive income	<u>\$(194)</u>	<u>\$480</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended September 30, 2008 and 2007
(In thousands)

	2008	2007
Cash flows from operating activities:		
Net earnings for the period	\$ 142	\$ 348
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Amortization of discounts and premiums on loans, investments and mortgage-backed securities - net	9	6
Amortization of deferred loan origination fees	(40)	(15)
Depreciation and amortization	57	53
Provision for losses on loans	21	30
Federal Home Loan Bank stock dividends	(18)	-
Loss on sale of investment securities	483	-
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	38	(175)
Prepaid expenses and other assets	75	19
Accrued interest payable and other liabilities	(256)	936
Federal income taxes		
Current	57	75
Deferred	<u>(6)</u>	<u>(7)</u>
Net cash provided by operating activities	562	1,270
Cash flows provided by (used in) investing activities:		
Proceeds from maturities of investment securities	3,453	639
Purchase of investment securities	(1,318)	(1,822)
Net change in loans	(934)	(930)
Purchase of office premises and equipment	<u>(8)</u>	<u>(24)</u>
Net cash provided by (used in) investing activities	1,193	(2,137)
Cash flows used in financing activities:		
Net increase (decrease) in deposit accounts	(3,671)	(3,338)
Proceeds from issuance of shares under stock option plan	-	6
Proceeds from Federal Home Loan Bank advances	13,900	400
Repayment of Federal Home Loan Bank advances	(14,332)	(45)
Advances by borrowers for taxes and insurance	(86)	(94)
Dividends paid on common shares	<u>(286)</u>	<u>(288)</u>
Net cash used in financing activities	<u>(4,475)</u>	<u>(3,359)</u>
Net decrease in cash and cash equivalents	(2,720)	(4,226)
Cash and cash equivalents at beginning of period	<u>8,756</u>	<u>8,058</u>
Cash and cash equivalents at end of period	<u>\$ 6,036</u>	<u>\$ 3,832</u>

ASB Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the three months ended September 30, 2008 and 2007
(In thousands)

	2008	2007
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowings	<u>\$829</u>	<u>\$ 1,102</u>
Income taxes	<u>\$ -0-</u>	<u>\$ -0-</u>
Supplemental disclosure of noncash investing activities:		
Unrealized gains (losses) on securities designated as available for sale, net of related tax effects	<u>\$(171)</u>	<u>\$166</u>

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended September 30, 2008 and 2007

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, 2008. 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, 2008, 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, 2008 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, 2008 and 2007

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, 2008, 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,	2008	2007
Weighted-average common shares outstanding (basic)	1,594,958	1,590,522
Dilutive effect of assumed exercise of stock options	<u> -</u>	<u> 2,759</u>
Weighted-average common shares outstanding (diluted)	<u>1,594,958</u>	<u>1,593,281</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, 2008 and 2007

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, 2007 and 2006, would have been reported as the pro forma amounts indicated below:

		Three months ended September 30,	
		2008	2007
Net earnings (In thousands)	As reported	\$142	\$345
	Stock-based compensation, net of tax	-	-
	Pro-forma	<u>\$142</u>	<u>\$345</u>
Earnings per share	As reported	\$.09	\$.22
Basic	Stock-based compensation, net of tax	-	-
	Pro-forma	<u>\$.09</u>	<u>\$.22</u>
Diluted	As reported	\$.22	\$.22
	Stock-based compensation, net of tax	-	-
	Pro-forma	<u>\$.09</u>	<u>\$.22</u>

A summary of the status of the Corporation's Plan as of September 30, 2008 and June 30, 2008 and 2007, and changes during the periods ending on those dates is presented below:

	Three months ended September 30, 2008		Year ended June 30, 2008		2007	
	Shares	Weighted- average exercise price	Shares	Weighted- average exercise price	Shares	Weighted- average exercise price
Outstanding at beginning of period	2,684	\$16.50	7,634	\$11.47	13,106	\$ 11.44
Granted	-	-	-	-	-	-
Exercised	-	-	(4,950)	8.75	(5,472)	11.50
Forfeited	-	-	-	-	-	-
	<u>2,684</u>	<u>\$16.50</u>	<u>2,684</u>	<u>\$16.50</u>	<u>7,634</u>	<u>\$ 11.47</u>
Outstanding at end of period						
Options exercisable at period-end	<u>2,684</u>	<u>\$16.50</u>	<u>1,942</u>	<u>\$16.50</u>	<u>4,950</u>	<u>\$ 8.75</u>

ASB Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended September 30, 2008 and 2007

5. Stock Option Plan (continued)

The following information applies to options outstanding at September 30, 2008:

Number outstanding	2,684
Range of exercise prices	\$16.50
Weighted-average exercise price	\$16.50
Weighted-average remaining contractual life	6.2 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, 2008 to September 30, 2008

At September 30, 2008, the Corporation's assets totaled \$211.3 million, a decrease of \$4.8 million, or 2.2%, over total assets at June 30, 2008.

Cash and cash equivalents decreased by \$2.0 million, or 25.1%, from June 30, 2008 levels, to a total of \$6.0 million at September 30, 2008. Available-for-sale securities and certificates of deposit totaled \$28.4 million at September 30, 2008, a decrease of \$3.6 million, or 11.1%, from June 30, 2008 levels. Maturities, sales and discount accretion related to investment securities totaled approximately \$3.5 million.

Loans receivable increased by \$953,000, or 0.6%, during the three-month period ended September 30, 2008, to a total of \$165.6 million. Loan disbursements amounted to \$12.7 million for the three months ended September 30, 2008, and were partially offset by principal repayments of \$11.7 million. During the three months ended September 30, 2008, loans originated consisted of \$6.6 million of loans secured by one- to four-family residential real estate, \$4.5 million of loans secured by nonresidential real estate, \$1.0 million of commercial loans and \$594,000 of consumer loans

The allowance for loan losses totaled \$1.6 million at September 30, 2008, unchanged from the balance at June 30, 2008. Nonperforming and nonaccrual loans totaled \$1.9 million at September 30, 2008, an increase of \$1.4 million, or 257.6% from the total at June 30, 2008. The allowance for loan losses represented 84.2% and 79.91% of nonperforming loans at September 30, 2008 and June 30, 2008, respectively. At September 30, 2008, nonperforming loans consisted of \$1.3 million in one- to four-family residential real estate loans and \$576,000 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, 2008, 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 \$169.8 million at September 30, 2008, a decrease of \$3.7 million, or 2.1%, from June 30, 2008 levels. The decrease in deposits was due primarily to maturities of brokered deposits and the decision by management to not pursue high cost retail funding.

ASB Financial Corp.

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

Discussion of Financial Condition Changes from June 30, 2008 to September 30, 2008 (continued)

Federal Home Loan Bank advances decreased by \$432,000, or 2.0%, during the three month period ended September 30, 2008. Advances amounted to \$13.9 million for the three months ended September 30, 2008, and were offset by repayments of \$14.3 million.

Shareholders' equity totaled \$17.2 million at September 30, 2008, a decrease of \$315,000, or 1.8%, from the June 30, 2008 level. The decrease was due to net earnings of \$142,000, which were offset by a \$171,000 net increase in unrealized losses on securities and by dividends on common shares totaling \$288,000. Dividends totaled \$.18 per share for the three months ended September 30, 2008.

American is required to meet minimum regulatory capital requirements promulgated by the Office of Thrift Supervision ("OTS"). At September 30, 2008, American's regulatory capital exceeded the minimum capital requirements.

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2008 and 2007

General

Net earnings totaled \$142,000 for the three months ended September 30, 2008, a decrease of \$206,000, or 59.2% from the same period in 2007. This was due to an increase of \$483,000 in the loss on sale of investment securities and an increase of \$19,000 in general, administrative and other expense, which were partially offset by an increase of \$232,000 in net interest income and decreases of \$9,000 in provision for losses on loans and \$17,000 in the provision for income taxes.

Net Interest Income

Interest income on loans decreased by \$288,000, or 9.6%, for the three months ended September 30, 2008, compared to the 2007 period. This decrease was due primarily to a \$6.1 million, or 3.6%, decrease in the average portfolio balance outstanding period to period and a decrease in the weighted-average yield of 44 basis points to 6.60% for the 2008 period. Interest income on available for sale securities increased by \$80,000, or 25.4%, due primarily to a \$11.5 million, or 39.5%, increase in the average balance of the related assets outstanding period, which was partially offset by a 44 basis point decrease in the weighted-average yield, to 3.90% for the 2008 period.

Interest expense on deposits decreased by \$425,000, or 25.3%, for the three months ended September 30, 2008, compared to the same period in 2007. This decrease was due primarily to a 105 basis point decrease in the weighted-average cost of deposits, to 2.91% for the three months ended September 30, 2008 and a \$2.9 million, or 1.7%, decrease in the average balance of deposits outstanding period to period. Interest expense on borrowings decreased by \$15,000, or 5.8%, due to a 116 basis point decrease in the average cost of borrowings during the period, which was partially offset by a \$5.2 million, or 24.1%, increase in the average balance outstanding. The decrease in the yields on interest-earning assets and the costs of interest-bearing liabilities was due primarily to the effect of decreases in interest rates in the economy.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by \$232,000, or 16.7% compared to the same period in 2007. The interest rate spread increased to 3.06% for the three months ended September 30, 2008, from 2.60% for the 2007 period, while the net interest margin increased to 3.14% in the 2008 period, compared to 2.76% in the 2007 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, 2008 and 2007 (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 \$21,000 during the three months ended September 30, 2008, a decrease of \$9,000, or 30.0%, from the comparable three-month period in 2007. The decrease in the provision during the 2008 period was primarily influenced by the balance in the allowance for losses on loans in relation to the loans outstanding. 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 \$(133,000) for the three months ended September 30, 2008, a decrease of \$445,000, or 142.6%, from the same period in 2007. The decrease was due to write downs of FNMA preferred stock due to other than temporary impairment, which was partially offset by a \$38,000, or 12.2% increase in other operating income. The increase in other operating income is due to increased fees related to overdraft privilege services and income from bank owned life insurance.

General, Administrative and Other Expense

General, administrative and other expense totaled \$1.3 million for the three months ended September 30, 2008, an increase of \$19,000, or 1.5%, over the same period in 2007. This increase was comprised of increases of \$32,000, or 4.9%, in employee compensation, and \$19,000, or 22.1%, in occupancy and equipment, which were partially offset by decreases of \$15,000, or 11.0% in data processing costs and \$17,000, or 4.9%, in other operating expense. The increase in occupancy and equipment was due to increased costs related to the depreciation of new computer equipment. The decrease in data processing was due to savings related to changing service providers. The decrease in other operating expenses was due to there being a new branch opened in the prior year. The increase in compensation and benefits was due to normal merit increases.

Federal Income Taxes

The provision for federal income taxes totaled \$51,000 for the three months ended September 30, 2008, a decrease of \$94,000, or 13.2%, compared to the same period in 2007. The effective tax rates were 26.4% and 16.3% for the three-month periods ended September 30, 2008 and 2007, respectively.

