



PUBLIC DISCLOSURE

August 11, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Savings Bank, FSB
Charter Number 712609

503 Chillicothe St
Portsmouth, Ohio 45662-4015

Office of the Comptroller of the Currency

Westlake Center
4555 Lake Forest Drive, Suite 520
Cincinnati, Ohio 45242-3760

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

State Name: Ohio Rating: Satisfactory
State Name: Kentucky Rating: Outstanding

The major factors in support of this rating include:

- American Savings Bank's (ASB or thrift) loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of ASB's loans were originated within the assessment areas (AA).
- ASB's lending activities reflect a reasonable penetration among borrowers of different incomes.
- ASB's lending activities reflect a reasonable geographic distribution.

Scope of Examination

Our office conducted a Community Reinvestment Act (CRA) evaluation to assess ASB's record of meeting the credit needs of its community. We used small savings association CRA evaluation procedures to perform our review. The evaluation period was from January 1, 2012 to December 31, 2013.

Our review focused on the thrift's primary lending product, residential real estate loans, as determined through a review of loan originations during the evaluation period and the composition of the thrift's loan portfolio as of June 30, 2014. Our review focused on home purchase loans, home improvement loans, and home refinance loans. The borrower distribution and geographic analysis focused on loans located in the assessment areas (AAs).

We used the thrift's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) for the 2012 and 2013 evaluation period. We completed a HMDA data integrity examination in June 2014 to ensure the accuracy and reliability of the data.

Description of Institution

ASB is a federally chartered stock savings association that operates in south central Ohio and northeastern Kentucky. The thrift is a wholly owned subsidiary of ASB Financial Corporation. The thrift is based in Portsmouth, Ohio and operates branches located in Scioto, Pike, and Hamilton Counties in Ohio and northern Greenup County in Kentucky. ASB is a traditional community thrift that operates with six full service branches, as well as a limited-service facility located a few blocks from the main office. There are three stand-alone ATMs in close proximity to the main office in Portsmouth, Ohio and South Shore, Kentucky. The thrift reported \$253 million in assets on the June 30, 2014 call report.

In November 2012, the thrift purchased Cincinnati-based Cottage Savings and assumed the bank’s two branches in northern Cincinnati. Through the remainder of the 2012 and 2013 assessment period, the thrift generated a small volume of loans from those locations. Based on conversations with management, at the time of the acquisition, loan products, initiatives, and staffing for this market area were not identified resulting in the very low loan volume for the evaluation period.

ASB received a satisfactory CRA rating from the prior CRA evaluation, as of August 5, 2008. Currently, no legal or financial impediments exist that could restrict the thrift’s ability to serve the community’s credit needs.

The thrift’s primary lending product is loans secured by 1-4 family residential real estate. As of June 30, 2014, this loan portfolio totaled \$129.4 million and represented approximately 68 percent of total loans and leases. The following table details the loans ASB originated and purchased during the evaluation period.

Loan Origination and Participations during the Assessment Period				
	% by Number of Loans Originated/Purchased during evaluation period		% by Dollars of Loans Originated/Purchased during evaluation period	
Loan Type	# of Loans	%	\$000s	%
Residential RE	627	42.42%	\$ 77,000,682	76.84%
Commercial/CRE	158	10.69%	\$ 16,921,087	16.88%
Consumer	464	31.39%	\$ 4,760,760	4.75%
HELOC	224	15.16%	\$ 1,088,947	1.09%
Farm	5	0.34%	\$ 442,652	0.44%
Total	1478	100.00%	\$ 100,214,128	100.00%

Source: 2012 and 2013 HMDA LAR

Conclusions with Respect to Performance Criteria

ASB’s lending performance is satisfactory.

Loan-to-Deposit Ratio

ASB’s LTD ratio is reasonable. The thrift’s quarterly average LTD ratio over the past 25 quarters since the prior CRA evaluation (June 2008 to June 2014) was 82.9 percent with a range of 81.8 percent to 93.3 percent during this period. We compared ASB’s LTD ratio to ten similarly situated financial institutions operating in southern Ohio with total assets between \$49 million and \$496 million. The quarterly average LTD ratio for these institutions was 92.5 percent with a range of 42.5 percent to 130.8 percent.

Lending in Assessment Area

A substantial majority of the thrift's lending activity occurs inside its assessment area. The following table details the thrift's lending activity by number and dollar volume.

Lending in the Hamilton, Scioto/Pike and Greenup Assessment Areas				
Assessment Area	Loan Count	Percent	\$ Loan Amount	Percent
Scioto & Pike County	482	85.92%	\$54,221	81.77%
Hamilton County	11	1.96%	\$3,386	5.11%
Greenup County	21	3.74%	\$1,632	2.46%
Total Assessment Area Loans	514	91.62%	\$59,239	89.34%
Outside the Assessment Areas	47	8.38%	\$7,066	10.66%
Total Loans	561	100.00%	\$66,305	100.00%

Source: American SB HMDA loan data for 2012 and 2013

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a federal thrift's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the thrift. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the credit needs of the community.

State Rating

State of Ohio

CRA Rating for Ohio: Satisfactory

The State rating is based primarily on the volume and distribution of loans in Scioto and Pike Counties, which represents the thrift’s primary AA.

- The distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income borrowers).
- The geographic distribution of loans reflects reasonable dispersion throughout the AA (including low- and moderate-income areas).

Description of Assessment Areas

The majority of the thrift’s lending occurs in Scioto and Pike Counties, a non-MSA, which represents one of the two AAs in Ohio. The second AA in Ohio is in Hamilton County, which is part of the Ohio-Kentucky-Indiana MSA #17140 (MSA #17140). Due to the acquisition of Cottage Savings in late 2012, which is located in Hamilton County, a very small percentage of the bank’s lending was in this AA during the evaluation period.

Both the Scioto/Pike County and Hamilton County AAs comply with all regulatory requirements. The tracts in the AAs are contiguous and surround the area where the bank is located. There are no conspicuous gaps, and the AAs do not arbitrarily exclude any low- or moderate-income geographies.

Description of Scioto/Pike Counties, Ohio AA

Scioto and Pike Counties are located in south central Ohio. Portsmouth is the largest city in the AA and is situated along the Ohio River. The Scioto and Pike Counties AA (non-MSA) covers both counties in their entirety and includes 26 census tracts. The following table provides the income composition by census tract (CT) for the AA.

Ohio Non-MSA Assessment Area Income Composition				
	# tracts Low-Income	# tracts Moderate-Income	# tracts Middle-Income	# tracts Upper-Income
Scioto County OH	4	2	13	1
Pike County OH	0	1	5	0
Total	4	3	18	1

Source: 2010 U.S. Census Data

According to the 2010 U.S. Census, the population of the Scioto/Pike Counties AA totaled 108,208. There were 40,805 households and 28,045 families. Twenty-two percent of households and 17 percent of families lived below the poverty level. The AA contained 46,772 housing units, which consisted of 61 percent owner-occupied, 26 percent non-owner-occupied, and 13 percent vacant. The Department of Housing and Urban Development (HUD) updated the AA median family income estimate to \$53,000.

As of June 2014, the U.S. Bureau of Labor Statistics reported the unemployment rates for Scioto and Pike Counties at 8.3 percent and 8.7 percent, respectively. The unemployment rates for both counties were significantly higher than the Ohio statewide unemployment rate of 5.9 percent and the national unemployment rate of 6.1 percent.

Based on 2013 Business Geodemographic Data, the businesses in the AA were predominantly small and non-farm businesses. Leading employment sectors in Scioto County include state and local government, health care, and retail trade. Major employers in Scioto County include Southern Ohio Medical Center, Portsmouth Board of Education, and Shawnee State University. Leading employment sectors in Pike County include manufacturing, local government, and retail trade. Major employers in Pike County include USEC, Inc. (supplier of enriched uranium to federal government), Mills Pride, Inc. (cabinet and other wood manufacturer), and the public school system.

According to a community contact familiar with area conditions, the local economy is improving and area lenders are active with financing for low- and moderate-income families. All area lenders except one are active members of community groups (i.e., Chamber of Commerce) and are active in the community.

Description of Hamilton County, Ohio AA

ASB purchased Cottage Savings Bank in November 2012. The transaction included two branches in Hamilton County, which is part of MSA #17140. The branches are located in Montgomery and Madeira, which are northern suburbs of Cincinnati, OH, about 15 miles north of downtown Cincinnati. The AA includes nine CTs in the MSA where lending occurred during the evaluation period. The AA includes seven upper-income and two middle-income CTs.

Based on 2010 U.S. Census data, the household income for Madeira and Montgomery was \$87,232 and \$109,776, respectively, which significantly exceeds the statewide household income of \$48,246. The majority of businesses in these suburbs are small businesses that cater to the moderate- and upper-income residents.

According to a community contact familiar with area conditions, the local economy is thriving with few storefront vacancies in the business districts and strong local employers. The contact commented that smaller local financial institutions, primarily credit unions, are the primary lenders to small businesses in the area despite the presence of several large financial institutions. However, the contact indicated that lenders in the area are not active members of community groups (i.e., chamber of commerce) and not active in the community projects.

Lending to Borrowers of Different Incomes

The distribution of loans, given the demographics of the two AAs in Ohio, reflects reasonable penetration among individuals of different income levels. While the thrift’s lending to low- and moderate-income borrowers is lower than the peer group for all three residential real estate loan products, the penetration is reasonable. During the evaluation period, refinanced loans totaled 65 percent of home mortgage originations. Considering the percentage of refinanced loans, we placed the most emphasis on this loan type. Additionally, 22 percent of families within the AA are below the poverty line, which effectively limits the opportunities to find borrowers that will meet traditional underwriting standards in the AA.

Borrower Distribution of Residential Real Estate Loans - Pike/Scioto Counties AA							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of AA Families by Income Level
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	4.4%	8.8%	4.7%	8.0%	13.4%	6.1%	29.9%
Moderate	24.3%	11.8%	13.9%	27.2%	25.2%	16.1%	17.6%
Middle	18.4%	23.5%	20.7%	29.1%	25.8%	27.8%	19.5%
Upper	52.9%	55.9%	60.7%	35.7%	35.6%	50.0%	33.0%

Source: 2010 U.S. Census data and Thrift's HMDA loan data for 2012 and 2013

Lending in the Hamilton County OH AA was not a significant consideration in our analysis as ASB only recently moved into this AA. In addition, only nine loans were made during the evaluation period.

Geographic Distribution of Loans

ASB’s geographic distribution reflects reasonable dispersion of residential real estate loans. Analysis reflects lending throughout the AA with no noticeable gaps. The thrift’s percentage of home purchase, home improvement, and refinance loans in the Scioto/Pike County AA is higher than the peer average in the low-income CTs, but lower in the moderate-income CTs. ASB’s geographic distribution in relation to AA Owner Occupied Housing units is reasonable. The table on the next page provides details on the geographic distribution of loans in the Scioto/Pike County AA.

Geographic Distribution of Residential Real Estate Loans in Scioto/Pike County Ohio MSA							
Census Tract Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of AA Owner Occupied Housing Units
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	4.4%	14.7%	7.0%	3.4%	9.5%	3.6%	6.2%
Moderate	5.9%	11.8%	7.7%	12.5%	13.7%	10.2%	14.9%
Middle	85.3%	70.6%	81.4%	78.4%	73.8%	83.0%	76.2%
Upper	4.4%	2.9%	3.9%	5.7%	3.0%	3.2%	2.7%

Source: 2010 U.S. Census data and Thrift's HMDA loan data for 2012 and 2013

An assessment of ASB’s geographic distribution of loans in the Hamilton County AA is not meaningful as the AA does not include low- or moderate-income geographies.

Responses to Complaints

During the assessment period, ASB received no written complaints relating to its performance in helping to meet the credit needs of its AAs.

State Rating

State of Kentucky

CRA Rating for Kentucky: Outstanding

- The distribution of loans reflects excellent penetration among individuals of different income levels (including low- and moderate-income borrowers).
- An analysis of the geographic distribution of loans is not meaningful as all CTs are middle-income.

Description of Assessment Areas

Greenup County, KY is located on the southern shore of the Ohio River directly across from Portsmouth, OH. The county is part of the Huntington-Ashland, KY-OH-WV MSA #26580, but is tied economically to Portsmouth and Scioto County, OH. The AA consists of three CTs, all of which are middle-income.

Based on the 2010 census, the population of the Greenup County AA totaled 9,848 with 3,952 households and 2,833 families. Twenty-four percent of households and 17 percent of families lived below poverty level. The AA contained 4,595 housing units, of which, 70 percent were owner occupied, 16 percent were rental units, and the remaining 14 percent were vacant. The HUD 2013 updated estimate of the median family income for the AA was \$50,800.

As of June 2014, Greenup County had an unemployment rate of 7.2 percent, which was slightly lower than the Kentucky statewide average of 7.4 percent, but higher than the national average of 6.1 percent. Based on 2013 Business Geodemographic Data, the majority of the businesses in the Greenup County AA were small businesses with the leading industry being the service industry. Greenup County's primary employment sectors include health care, manufacturing, and retail trade.

As of June 30, 2013, nine financial institutions operated 18 offices in Greenup County compared to ASB's one branch in the county. Consistent with the thrift's limited presence in northern Greenup County, ASB had only a 2 percent share of the total deposits in the county.

According to a community contact familiar with the area conditions, the local economy is depressed with a high and stable unemployment rate. There are significant opportunities for financial institutions to help in the development of small businesses, however, new businesses often do not meet the lending criteria and therefore, do not qualify for financing. The contact commented that local financial institutions have readily participated in community projects but lending in the area is curtailed by stringent lending standards.

Lending to Borrowers of Different Incomes

The distribution of loans reflects an excellent penetration among individuals of different income levels. Of the 22 loans originated during the review period, nine were refinance loans, eight were home purchase loans, and five were home improvement loans. ASB compares favorably to peer and AA Families by Income Level in most categories. Additionally, 17 percent of families within the AA are below the poverty line, which effectively limits the opportunities to find borrowers that will meet traditional underwriting standards in the AA.

Borrower Distribution of Residential Real Estate Loans Greenup County KY (partial) Assessment Area							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of AA Families by Income Level
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	0.0%	40.0%	0.0%	0.0%	6.3%	7.5%	24.1%
Moderate	25.0%	20.0%	12.5%	29.2%	12.5%	10.3%	17.9%
Middle	12.5%	20.0%	50.0%	29.2%	31.2%	25.3%	26.2%
Upper	62.5%	20.0%	37.5%	41.6%	50.0%	56.9%	31.8%

Source: 2010 U.S. Census data and Thrift's HMDA loan data for 2012 and 2013

Geographic Distribution of Loans

An assessment of ASB's geographic distribution of loans in the Greenup County AA is not meaningful as the AA does not include low- or moderate-income geographies.

Responses to Complaints

During the evaluation period, ASB received no written complaints relating to its performance in helping to meet the credit needs of its AAs.