Perpetual Federal

SAVINGS BANK

2014 Annual Report

PERPETUAL FEDERAL SAVINGS BANK

ANNUAL REPORT
September 30, 2014

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ANNUAL MEETING

The Annual Meeting of Stockholders is scheduled for January 21, 2015 at 1:30 p.m. at the Perpetual Federal Savings Bank office located at 120 North Main Street, Urbana, Ohio 43078.

December 19, 2014

Dear Shareholder:

At first glance of our Selected Financial Information on Page No. 2, it may cause you to sit up, take note and ask, “What is going on at our Bank”?

Total assets continue to decline, deposits are also shrinking, earnings per share have declined, and it would appear dividends were reduced.

You may also note loan balances have increased slightly, provisions for loan losses increased significantly and with all that being said, and most importantly, shareholders’ equity still increased by 1.5%.

Let me address the above issues and provide some clarification.

By design, we continue to shrink the balance sheet by allowing deposits to run off when we are unable to generate the loan volume to profitably deploy the funds.

Earnings per share are down and provisions for loan losses are up, a direct result of the $3.3 million charge to earnings allowing for the acquisition of Urbana University by Franklin University, which I outlined in detail in the June 27, 2014 letter to shareholders.

While it may appear the dividend was reduced, you may recall that the dividend paid December, 2012 was a double dividend where we accelerated the March, 2013 dividend into December due to concerns about potential IRS dividend income changes. After review of earnings, we did go ahead and pay another dividend in March, 2013.

Even with the large write down this past year, we were still able to show a net income of $2,723,000 thus increasing our shareholders’ equity account to $61,153,000, which is a book value of $24.76 per share.

Moving forward into 2015, we anticipate the Fed, under new leadership, will allow interest rates to rise — how soon and how high are the unknowns.

Our strong capital and liquidity positions will provide us the opportunity to react to these anticipated changes when they occur.

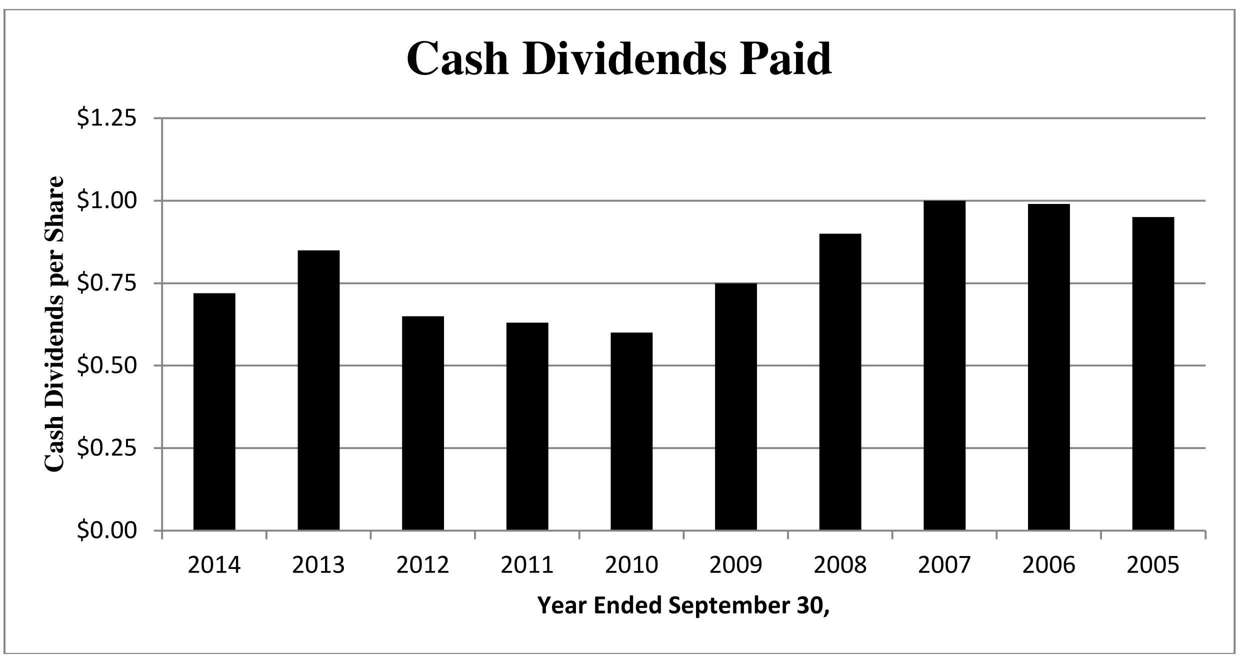
Thank you for your continued investment in our institution.

Sincerely,

Michael R. Melvin

Michael R. Melvin
President

	At or for the year ended September 30, 2014	2013
	(In thousands, except per share data)	
Selected Financial Condition Data:		
Total assets	$ 345,974	$ 351,608
Loans receivable, net	286,592	285,274
Interest-bearing deposits in other financial institutions	6,486	6,434
Deposits	275,610	282,581
Borrowings	8,000	8,000
Shareholders' equity	61,153	60,208
Selected Operations Data:		
Total interest income	$ 15,302	$ 16,097
Total interest expense	3,960	4,669
Net interest income	11,342	11,428
Provision for loan losses	3,794	837
Net interest income after provision for loan losses	7,548	10,591
Noninterest income	29	47
Noninterest expense	3,460	4,686
Income before income tax	4,117	5,952
Income tax expense	1,394	2,009
Net income	$ 2,723	$ 3,943
Earnings per common share:		
Basic	$ 1.10	$ 1.60
Diluted	$ 1.10	$ 1.60
Dividends per share	$ 0.72	$ 0.85



	At or for the year ended September 30,	
	2014	2013
Other Data:		
Interest rate spread information		
Average during year	3.09%	3.01%
End of year	2.83	2.84
Net interest margin (ratio of net interest income to average interest-earning assets)	3.32	3.25
Average interest-earning assets to average interest-bearing liabilities	119.60	118.36
Nonperforming assets to total assets at end of period	2.56	1.84
Shareholders' equity to total assets at end of period	17.68	17.12
Return on assets (ratio of net income to average total assets)	0.78	1.10
Return on shareholders' equity (ratio of net income to average equity)	4.49	6.64
Dividend payout ratio	65.32	53.25
Average shareholders' equity to average total assets	17.47	16.56
Efficiency ratio (ratio of noninterest expense to net interest income and other income)	30.43	40.84
Number of full service offices	1	1

Crowe Horwath.

Crowe Horwath LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Perpetual Federal Savings Bank
Urbana, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Perpetual Federal Savings Bank, which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of income, changes in shareholders' 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Perpetual Federal Savings Bank as of September 30, 2014 and 2013, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 11, 2014

PERPETUAL FEDERAL SAVINGS BANK

BALANCE SHEETS

September 30, 2014 and 2013

		2014		2013
ASSETS				
Cash and due from banks	$	2,635,185	$	2,553,372
Interest-bearing deposits		44,320,706		51,200,026
Total cash and cash equivalents		46,955,891		53,753,398
Interest-bearing time deposits		6,486,000		6,434,000
Federal Home Loan Bank stock - at cost		2,794,200		3,044,000
Loans (Net of allowance for loan losses: 2014 - $4,977,747 2013 - $4,597,604)		286,592,350		285,273,883
Premises and equipment, net		755,702		772,912
Accrued interest receivable		1,203,325		1,230,671
Other real estate owned		50,000		60,000
Other assets		1,136,044		1,039,190
Total assets	$	345,973,512	$	351,608,054
LIABILITIES				
Deposits	$	275,610,183	$	282,581,397
Borrowings		8,000,000		8,000,000
Advance payments by borrowers for taxes and insurance		189,542		181,055
Other liabilities		1,021,207		637,237
Total liabilities		284,820,932		291,399,689
SHAREHOLDERS' EQUITY				
Serial preferred stock, no par value established, 500,000 shares authorized; none outstanding		-		-
Common stock, $0.01 par value, 6,000,000 shares authorized; 2,470,032 shares issued and outstanding		24,700		24,700
Additional paid-in capital		11,197,001		11,197,001
Retained earnings		49,930,879		48,986,664
Total shareholders' equity		61,152,580		60,208,365
Total liabilities and shareholders' equity	$	345,973,512	$	351,608,054

See accompanying notes to financial statements

PERPETUAL FEDERAL SAVINGS BANK

STATEMENTS OF INCOME

Years ended September 30, 2014 and 2013

	2014	2013
Interest and dividend income		
Loans, including fees	$ 15,024,123	$ 15,781,690
Interest-bearing deposits	159,203	182,239
Other	118,338	133,018
	15,301,664	16,096,947
Interest expense		
Deposits	3,559,244	4,118,936
Borrowings	400,898	549,753
	3,960,142	4,668,689
Net interest income	11,341,522	11,428,258
Provision for loan losses	3,793,631	836,775
Net interest income after provision for loan losses	7,547,891	10,591,483
Noninterest income		
Service charges and other fees	6,525	7,159
Other income	22,952	40,056
Total noninterest income	29,477	47,215
Noninterest expense		
Salaries and employee benefits	1,451,080	1,426,984
Occupancy and equipment expense	124,969	125,850
Data processing services	229,405	265,043
State taxes	552,940	739,812
FDIC insurance premium	244,105	232,955
Loss on extinguishment of borrowings	-	748,884
Other expenses	857,848	1,146,889
Total noninterest expense	3,460,347	4,686,417
Income before income tax	4,117,021	5,952,281
Income tax expense	1,394,383	2,009,264
Net income	$ 2,722,638	$ 3,943,017
Earnings per common share:		
Basic	$ 1.10	$ 1.60
Diluted	$ 1.10	$ 1.60

See accompanying notes to financial statements

PERPETUAL FEDERAL SAVINGS BANK

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended September 30, 2014 and 2013

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at October 1, 2012	$ 24,700	$ 11,197,001	$ 47,143,174	$ 58,364,875
Cash dividends - $0.85 per share	-	-	(2,099,527)	(2,099,527)
Net income	-	-	3,943,017	3,943,017
Balance at September 30, 2013	24,700	11,197,001	48,986,664	60,208,365
Cash dividends - $0.72 per share	-	-	(1,778,423)	(1,778,423)
Net income	-	-	2,722,638	2,722,638
Balance at September 30, 2014	$ 24,700	$ 11,197,001	$ 49,930,879	$ 61,152,580

See accompanying notes to financial statements

PERPETUAL FEDERAL SAVINGS BANK

STATEMENTS OF CASH FLOWS

Years ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net income	$ 2,722,638	$ 3,943,017
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	75,597	65,635
Provision for loan losses	3,793,631	836,775
Deferred taxes	(182,000)	(47,000)
Loss(Gain) on sale of real estate owned	(15,000)	(5,000)
Write-down of real estate owned	-	30,407
Net change in accrued interest receivable	27,346	168,920
Net change in other assets and liabilities	361,218	576,677
Net cash from operating activities	6,783,430	5,569,431
Cash flows from investing activities		
Net change in interest-bearing time deposits	(52,000)	5,887,000
Purchase of loans	(2,932,000)	(1,740,000)
Loans repaid, net of loans granted	(2,180,098)	10,286,969
Proceeds from redemption of Federal Home Loan Bank stock	249,800	-
Property and equipment purchases	(58,387)	(109,652)
Proceeds from sale of other real estate owned	25,000	15,000
Net cash from (used in) investing activities	(4,947,685)	14,339,317
Cash flows from financing activities		
Net change in deposit accounts	(6,971,214)	(7,117,712)
Net change in official items outstanding	107,898	(74,783)
Net change in advance payments from borrowers for taxes and insurance	8,487	10,173
Repayments of long-term borrowings	-	(7,250,000)
Cash dividends paid	(1,778,423)	(2,099,527)
Net cash used in financing activities	(8,633,252)	(16,531,849)
Net change in cash and cash equivalents	(6,797,507)	3,376,899
Cash and cash equivalents at beginning of year	53,753,398	50,376,499
Cash and cash equivalents at end of year	$ 46,955,891	$ 53,753,398

See accompanying notes to financial statements.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Perpetual Federal Savings Bank (the "Savings Bank") is engaged in the business of providing financial products and services through its office in Urbana, Ohio. Champaign, Clark, Delaware, Franklin and Logan counties in Ohio provide the source of substantially all of the Savings Bank's deposit and lending activities. The majority of the Savings Bank's income is derived from mortgage loans secured by one- to four-family residential property, commercial and multi-family real estate loans and, to a lesser extent, construction or development loans, consumer loans, commercial business loans, as well as making other investments. The Savings Bank accepts demand, savings and time deposits.

Subsequent Events: The Savings Bank has evaluated subsequent events for recognition and disclosure through December 11, 2014, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided and future results could differ. The allowance for loan losses and fair values of financial instruments are particularly subject to change.

Federal Home Loan Bank ("FHLB") Stock: The Savings Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan origination fees and costs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments. The net amount of fees and costs deferred is recorded in the balance sheets as part of loans.

Interest income is discontinued at the time a loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Savings Bank's policy, typically after 90 days of non-payment.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such 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. These policies apply to all classes of loans held by the Savings Bank.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. 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. Management estimates the allowance balance required based on past loan loss experience, known and probable risks in the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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.

Multi-family real estate and commercial real estate loans over $500,000 are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when the internal grading system indicates a substandard classification. All classes of loans are individually evaluated for impairment. Loans for which terms have been modified and the borrower is experiencing financial difficulties are considered troubled debt restructurings and classified as impaired. If a loan is impaired, a portion of the allowance is allocated so the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Savings Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component of the allowance covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Savings Bank over the most recent three years. This actual loss experience is supplemented with other economic factors based on the risks present in the loan portfolio. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; experience, ability and depth of lending management and other relevant staff; and national and local economic trends and conditions.

The portfolio segments include one-to-four family real estate, multi-family real estate, commercial real estate, consumer and commercial loans. One-to-four family and consumer loans rely on the historical cash flows of individual borrowers and on the collateral securing the loan. Multi-family, commercial real estate and commercial

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

segments are comprised of loans with a reliance on historic cash flows of small business borrowers and of small scale investors, as well as the underlying real estate projects or of land. The underwriting criteria across all segments consider the risk attributes to be impacted by weak local economic conditions and a weak real estate market.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 15 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 5 to 7 years. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. Maintenance and repairs are charged to expense as incurred and improvements are capitalized.

Other Real Estate: Real estate acquired in settlement of loans is initially reported at estimated fair value at acquisition less costs to sell, establishing a new cost basis. After acquisition, a valuation allowance reduces the reported amount to the lower of the initial amount or fair value less costs to sell. At September 30, 2014 the Savings Bank had $50,000 of other real estate owned with no valuation allowance. At September 30, 2013 the Savings Bank had $60,000 of other real estate owned with no valuation allowance. Operating costs after acquisition are expensed.

Income Taxes: Income tax expense is the total of the current-year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Savings Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Concentrations of Credit Risk: The Savings Bank grants mortgage, consumer, and commercial loans to customers located primarily in the Champaign, Clark and Logan County areas. In addition, the Savings Bank grants multi-family and commercial real estate loans to borrowers primarily in Franklin and Delaware Counties. At year-end 2014, multi-family and commercial real estate loans to borrowers in Franklin and Delaware Counties comprise 36.5% of gross loans. Almost all of these loans are obtained through an outside loan originator. Also, at September 30, 2014 and 2013 the Savings Bank had $3,061,923 and $3,688,062 in deposits at the Federal Home Loan Bank of Cincinnati (“ FHLB”) in addition to FHLB stock totaling $2,794,200 and $3,044,000 at September 30, 2014 and 2013.

Cash Flows Reporting: Cash and cash equivalents are defined as cash on hand, amounts due from depository institutions, and interest-bearing deposits in other financial institutions with original maturities of 90 days or less.

Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits with other banks and short-term borrowings under its cash management line of credit with the FHLB.

The Savings Bank paid interest of $3,965,000 and $4,711,000 and income taxes of $1,312,000 and $1,740,000 in 2014 and 2013.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest-Bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions have varied maturities and are carried at cost. At September 30, 2014 the weighted average remaining maturity of the Savings Bank's interest-bearing deposits in other financial institutions was 83 days.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed separately. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividend paid by the Savings Bank to shareholders. See Note 9 for more specific disclosure related to federal savings banks.

Reclassifications: Certain amounts appearing in the 2013 financial statements and related notes have been reclassified to conform to the 2014 presentation.

NOTE 2 -- LOANS

Loans receivable consisted of the following at year-end:

	2014	2013
Mortgage loans		
One-to-four family real estate loans	$ 131,268,836	$ 123,070,306
Multi-family real estate loans	77,677,626	85,807,258
Commercial real estate loans	71,008,349	71,573,344
Real estate construction loans	3,964,476	-
	283,919,287	280,450,908
Consumer and other loans		
Consumer loans	6,035,954	3,704,312
Commercial loans	2,486,817	6,657,790
	8,522,771	10,362,102
Gross loans	292,442,058	290,813,010
Less:		
Deferred loan origination fees and costs, net	(871,961)	(941,523)
Allowance for loan losses	(4,977,747)	(4,597,604)
	(5,849,708)	(5,539,127)
	$ 286,592,350	$ 285,273,883

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended September 30, 2014 and 2013:

	One-to-four Real Estate	Multi-family Real Estate	Commercial Real Estate	Consumer & Commercial	Unallocated	Total
For the year ended September 30, 2014						
Balance at beginning of period	$ 777,402	$ 1,201,462	$ 2,515,467	$ 103,273	$ -	$ 4,597,604
Provision for loan losses	37,145	929,898	618,547	2,208,041	-	3,793,631
Recoveries	82,994	229,108	101,526	183,674	-	597,302
Charge-offs	(209,908)	(933,726)	(931,479)	(1,935,677)	-	(4,010,790)
Balance at end of period	$ 687,633	$ 1,426,742	$ 2,304,061	$ 559,311	$ -	$ 4,977,747

	One-to-four Real Estate	Multi-family Real Estate	Commercial Real Estate	Consumer & Commercial	Unallocated	Total
For the year ended September 30, 2013						
Balance at beginning of period	$ 525,559	$ 648,581	$ 3,285,107	$ 64,701	$ -	$ 4,523,948
Provision for loan losses	546,024	1,197,880	(892,786)	(14,343)	-	836,775
Recoveries	78,574	78,578	171,111	52,915	-	381,178
Charge-offs	(372,755)	(723,577)	(47,965)	-	-	(1,144,297)
Balance at end of period	$ 777,402	$ 1,201,462	$ 2,515,467	$ 103,273	$ -	$ 4,597,604

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment[1] in loans by portfolio segment and based on impairment method as of September 30, 2014:

Total	One-to-four Real Estate	Multi-family Real Estate	Commercial Real Estate	Consumer & Commercial	Unallocated	Total
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ -	$ -	$ 6,852	$ -	$ -	$ 6,852
Collectively evaluated for impairment	687,633	1,426,742	2,297,209	559,311	-	4,970,895
Total ending allowance balance	$ 687,633	$ 1,426,742	$ 2,304,061	$ 559,311	$ -	$ 4,977,747
Loans:						
Loans individually evaluated for impairment	$ 2,910,091	$ 4,940,970	$ 5,034,898	$ -		$ 12,885,959
Loans collectively evaluated for impairment	128,776,861	72,726,073	69,828,774	8,563,754		279,895,462
Total ending loans balance	$ 131,686,952	$ 77,667,043	$ 74,863,672	$ 8,563,754		$ 292,781,421

[1] The recorded investment is the principal balance and accrued interest receivable less any deferred fees/costs.

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment[1] in loans by portfolio segment and based on impairment method as of September 30, 2013:

	One-to-four Real Estate	Multi-family Real Estate	Commercial Real Estate	Consumer & Commercial	Unallocated	Total
Total						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 3,353	$ 15,325	$ 82,388	$ -	$ -	$ 101,066
Collectively evaluated for impairment	774,049	1,186,137	2,433,079	103,273	-	4,496,538
Total ending allowance balance	$ 777,402	$ 1,201,462	$ 2,515,467	$ 103,273	$ -	$ 4,597,604
Loans:						
Loans individually evaluated for impairment	$ 3,540,719	$ 7,442,309	$ 5,486,558	$ 207,643		$ 16,677,229
Loans collectively evaluated for impairment	119,661,420	78,339,343	66,237,647	10,184,684		274,423,094
Total ending loans balance	$ 123,202,139	$ 85,781,652	$ 71,724,205	$ 10,392,327		$ 291,100,323

[1] The recorded investment is the principal balance and accrued interest receivable less any deferred fees/costs.

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents impaired loans by class of loans for the year ended September 30, 2014:

	Average of Impaired Loans During the Period	Interest Income Recognized During Impairment	Cash Basis Interest Income Recognized
Construction Loans on:			
One-to-four family real estate	$ -	$ -	$ -
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate:			
Secured by First Liens	3,794,925	218,425	218,425
Secured by Junior Liens	-	-	-
Multi-family real estate	7,118,717	509,801	509,801
Commercial real estate (Except Land)	6,168,392	355,864	355,864
Land	80,051	4,919	4,919
Commercial Loans:			
Secured	-	-	-
Unsecured	161,304	51,813	51,813
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	1,711	106	106
Other	269,365	-	-
Total	$ 17,594,465	$ 1,140,928	$ 1,140,928

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents impaired loans by class of loans for the year ended September 30, 2013:

	Average of Impaired Loans During the Period	Interest Income Recognized During Impairment	Cash Basis Interest Income Recognized
Construction Loans on:			
One-to-four family real estate	$ -	$ -	$ -
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate:			
Secured by First Liens	3,806,422	223,285	223,285
Secured by Junior Liens	-	-	-
Multi-family real estate	8,013,717	453,691	453,691
Commercial real estate (Except Land)	5,435,124	352,749	352,749
Land	66,444	9,644	9,644
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	8,555	483	483
Other	201,925	13,204	13,204
Total	$ 17,532,187	$ 1,053,056	$ 1,053,056

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2014:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:			
Construction Loans on:			
One-to-four family real estate	$ -	$ -	$ -
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate:			
Secured by First Liens	2,911,592	2,910,091	-
Secured by Junior Liens	-	-	-
Multi-family real estate	4,945,165	4,940,970	-
Commercial real estate (Except Land)	4,547,705	4,540,667	-
Land	24,294	24,294	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
	12,428,756	12,416,022	-
With an allowance recorded:			
Construction Loans on:			
One-to-four family real estate	-	-	-
Multi-family real estate	-	-	-
Commercial real estate	469,311	469,937	6,852
One-to-four family real estate:			
Secured by First Liens	-	-	-
Secured by Junior Liens	-	-	-
Multi-family real estate	-	-	-
Commercial real estate (Except Land)	-	-	-
Land	-	-	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
	469,311	469,937	6,852
Total	$ 12,898,067	$ 12,885,959	$ 6,852

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2013:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With no related allowance recorded:			
Construction Loans on:			
One-to-four family real estate	$ -	$ -	$ -
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate:			
Secured by First Liens	3,112,662	2,489,577	-
Secured by Junior Liens	-	-	-
Multi-family real estate	6,287,313	5,147,757	-
Commercial real estate (Except Land)	1,599,305	694,546	-
Land	92,534	47,552	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Mobile Home Loans	10,526	10,526	-
Other	484,357	197,117	-
	11,586,697	8,587,075	-
With an allowance recorded:			
Construction Loans on:			
One-to-four family real estate	-	-	-
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate:			
Secured by First Liens	1,047,886	1,051,142	3,353
Secured by Junior Liens	-	-	-
Multi-family real estate	2,287,249	2,294,552	15,325
Commercial real estate (Except Land)	4,734,916	4,744,460	82,388
Land	-	-	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
	8,070,051	8,090,154	101,066
Total	$ 19,656,748	$ 16,677,229	$ 101,066

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of September 30, 2014:

	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Construction Loans on:		
One-to-four family real estate	$ -	$ -
Multi-family real estate	-	-
Commercial real estate	-	-
One-to-four family real estate		
Secured by First Liens	2,044,436	-
Secured by Junior Liens	-	-
Multi-family real estate	3,796,717	-
Commercial real estate (Except Land)	2,955,623	-
Land	24,294	-
Commercial Loans:		
Secured	-	-
Unsecured	-	-
Consumer Loans:		
Loans on Deposits	-	-
Auto Loans	-	-
Other	-	-
Total	$ 8,821,070	$ -

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of September 30, 2013:

	Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Construction Loans on:		
One-to-four family real estate	$ -	$ -
Multi-family real estate	-	-
Commercial real estate	-	-
One-to-four family real estate		
Secured by First Liens	1,900,368	-
Secured by Junior Liens	-	-
Multi-family real estate	3,558,494	-
Commercial real estate (Except Land)	694,546	-
Land	47,552	-
Commercial Loans:		
Secured	-	-
Unsecured	-	-
Consumer Loans:		
Loans on Deposits	-	-
Auto Loans	10,526	-
Other	197,117	-
Total	$ 6,408,603	$ -

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the aging of the recorded investment in past due loans as of September 30, 2014 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Construction Loans on:						
One-to-four family real estate	$ -	$ -	$ -	$ -	$ 280,375	$ 280,375
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	-	-	-	-	3,698,601	3,698,601
One-to-four family real estate:						
Secured by First Liens	110,118	275,316	235,282	620,716	130,206,708	130,827,424
Secured by Junior Liens	-	-	-	-	579,153	579,153
Multi-family real estate	199,449	-	492,510	691,959	76,975,084	77,667,043
Commercial real estate (Except Land)	700,172	28,508	172,500	901,180	69,525,418	70,426,598
Land	-	-	-	-	738,473	738,473
Commercial Loans:						
Secured	-	-	-	-	846,713	846,713
Unsecured	-	-	-	-	1,647,826	1,647,826
Consumer Loans:						
Loans on Deposits	-	-	-	-	151,786	151,786
Auto Loans	-	-	-	-	68,814	68,814
Other	2,356	-	-	2,356	5,846,259	5,848,615
Total	$ 1,012,095	$ 303,824	$ 900,292	$ 2,216,211	$ 290,565,210	$ 292,781,421

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents the aging of the recorded investment in past due loans as of September 30, 2013 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Construction Loans on:						
One-to-four family real estate	$ -	$ -	$ -	$ -	$ -	$ -
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	-	-	-	-	-	-
One-to-four family real estate:						
Secured by First Liens	468,494	127,219	1,096,136	1,691,849	120,929,871	122,621,720
Secured by Junior Liens	-	-	-	-	580,419	580,419
Multi-family real estate	-	-	1,552,012	1,552,012	84,229,640	85,781,652
Commercial real estate (Except Land)	-	-	208,625	208,625	70,643,184	70,851,809
Land	-	-	-	-	872,396	872,396
Commercial Loans:						
Secured	-	-	-	-	412,699	412,699
Unsecured	-	-	-	-	6,259,223	6,259,223
Consumer Loans:						
Loans on Deposits	-	-	-	-	175,415	175,415
Auto Loans	-	-	10,526	10,526	35,876	46,402
Other	197,117	-	-	197,117	3,301,471	3,498,588
Total	$ 665,611	$ 127,219	$ 2,867,299	$ 3,660,129	$ 287,440,194	$ 291,100,323

NOTE 2 - LOANS RECEIVABLE (Continued)

Troubled Debt Restructurings:

The Savings Bank had no specific reserves allocated to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2014 and 2013. The Savings Bank has not committed to lend additional amounts as of September 30, 2014 and 2013 to customers with outstanding loans that are classified as troubled debt restructurings.

The following table presents loans by class modified as trouble debt restructurings that occurred during the year ending September 30, 2014:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Construction Loans on:			
One-to-four family real estate	-	$ -	$ -
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate			
Secured by First Liens	1	290,617	290,617
Secured by Junior Liens	-	-	-
Multi-family real estate	2	1,654,191	1,654,191
Commercial real estate (Except Land)	1	2,325,609	2,325,609
Land	-	-	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
Total	4	$ 4,270,417	$ 4,270,417

During the fiscal year ending September 30, 2014, the modification of the terms of the one-to-four family real estate loan secured by first liens was an agreement to accept reduced payments. The modifications of multi-family real estate loans included the extension of the maturity date for one loan and agreements to accept reduced payments for both loans. The modification of the commercial real estate loan was an agreement to accept reduced payments. There was no reduction in the recorded investment of these loans.

The troubled debt restructurings described above had no impact on the allowance for loan losses and resulted in no additional charge-offs during the year ending September 30, 2014.

NOTE 2 - LOANS RECEIVABLE (Continued)

The following table presents loans by class modified as trouble debt restructurings that occurred during the year ending September 30, 2013:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:			
Construction Loans on:			
One-to-four family real estate	-	$ -	$ -
Multi-family real estate	-	-	-
Commercial real estate	-	-	-
One-to-four family real estate			
Secured by First Liens	13	1,205,946	1,205,946
Secured by Junior Liens	-	-	-
Multi-family real estate	7	3,649,682	3,649,682
Commercial real estate (Except Land)	4	3,993,041	3,993,041
Land	1	99,982	99,982
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
Total	25	$ 8,948,651	$ 8,948,651

During the fiscal year ending September 30, 2013, the modifications of the terms of the one-to-four family real estate loans secured by first liens included the extension of the maturity dates for three loans and the agreement to accept reduced payments for ten loans. The modifications of multi-family real estate loans included the extension of maturity dates for two loans and the agreement to accept reduced payments for five loans. Three of the commercial real estate loans that were restructured were agreements to accept reduced payments and the extension of maturity dates. One of the commercial real estate loans was the refinancing of an existing troubled debt restructuring. The single modification for a land loan was an extension of the maturity date. There was no reduction in the recorded investment of these loans.

The troubled debt restructurings described above had no impact on the allowance for loan losses and resulted in no additional charge-offs during the year ending September 30, 2013.

NOTE 2 - LOANS RECEIVABLE (Continued)

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ending September 30, 2014 and the year ending September 30, 2013.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Savings Bank's internal underwriting policy.

The Savings Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Savings Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans aggregated to one borrower with an outstanding balance greater than $500,000. This analysis is performed on an annual basis by an independent external firm in addition to the Savings Bank's internal quarterly analysis of its un-aggregated portfolio. The Savings Bank uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

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

NOTE 2 - LOANS RECEIVABLE (Continued)

Loans not meeting the preceding criteria that are analyzed individually as part of the above described process are considered to be pass rated loans. As of September 30, 2014, and based on the analysis performed as of September 30, 2014, the risk category of loans by class of loans is as follows:

	Not Rated	Pass	Special Mention	Substandard	Doubtful	Loss
Construction Loans on:						
One-to-four family real estate	$ 280,375	$ -	$ -	$ -	$ -	$ -
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	3,698,601	-	-	-	-	-
One-to-four family real estate						
Secured by First Liens	102,992,840	25,727,113	63,035	2,044,436	-	-
Secured by Junior Liens	579,153	-	-	-	-	-
Multi-family real estate	18,926,442	54,943,884	-	3,796,717	-	-
Commercial real estate (Except Land)	22,525,264	44,475,774	-	2,965,560	460,000	-
Land	53,351	-	660,828	24,294	-	-
Commercial Loans:						
Secured	577,602	-	269,111	-	-	-
Unsecured	1,647,826	-	-	-	-	-
Consumer Loans:						
Loans on Deposits	151,786	-	-	-	-	-
Auto Loans	68,814	-	-	-	-	-
Other	5,848,615	-	-	-	-	-
Total	$ 157,350,669	$ 125,146,771	$ 992,974	$ 8,831,007	$ 460,000	$ -

The Savings Bank neither originates nor purchases subprime loans.

NOTE 2 - LOANS RECEIVABLE (Continued)

Loans not meeting the preceding criteria that are analyzed individually as part of the above described process are considered to be pass rated loans. As of September 30, 2013, and based on the analysis performed as of September 30, 2013, the risk category of loans by class of loans is as follows:

	Not Rated	Pass	Special Mention	Substandard	Doubtful	Loss
Construction Loans on:						
One-to-four family real estate	$ -	$ -	$ -	$ -	$ -	$ -
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	-	-	-	-	-	-
One-to-four family real estate						
Secured by First Liens	91,250,168	27,748,946	81,887	3,526,898	13,821	-
Secured by Junior Liens	580,419	-	-	-	-	-
Multi-family real estate	26,493,474	50,972,396	873,473	7,442,309	-	-
Commercial real estate (Except Land)	24,923,641	40,489,162	-	4,979,006	460,000	-
Land	198,990	-	625,854	47,552	-	-
Commercial Loans:						
Secured	412,699	-	-	-	-	-
Unsecured	5,497,344	761,879	-	-	-	-
Consumer Loans:						
Loans on Deposits	175,415	-	-	-	-	-
Auto Loans	35,876	-	-	10,526	-	-
Other	3,103,134	198,337	-	197,117	-	-
Total	$ 152,671,160	$ 120,170,720	$ 1,581,214	$ 16,203,408	$ 473,821	$ -

The Savings Bank neither originates nor purchases subprime loans.

NOTE 2 - LOANS RECEIVABLE (Continued)

The Savings Bank considers the performance of the loan portfolio and its impact on the allowance for loan losses. The Savings Bank also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in the portfolio based on payment activity as of September 30, 2014 and September 30, 2013:

	September 30, 2014:		September 30, 2013:	
	Performing	Nonperforming	Performing	Nonperforming
Construction Loans on:				
One-to-four family real estate	$ 280,375	$ -	$ -	$ -
Multi-family real estate	-	-	-	-
Commercial real estate	3,698,601	-	-	-
One-to-four family real estate				
Secured by First Liens	128,782,988	2,044,436	120,721,352	1,900,368
Secured by Junior Liens	579,153	-	580,419	-
Multi-family real estate	73,870,326	3,796,717	82,223,158	3,558,494
Commercial real estate (Except Land)	67,470,975	2,955,623	70,157,263	694,546
Land	714,179	24,294	824,844	47,552
Commercial Loans:				
Secured	846,713	-	412,699	-
Unsecured	1,647,826	-	6,259,223	-
Consumer Loans:				
Loans on Deposits	151,786	-	175,415	-
Auto Loans	68,814	-	35,876	10,526
Other	5,848,615	-	3,301,471	197,117
Total	$ 283,960,351	$ 8,821,070	$ 284,691,720	$ 6,408,603

NOTE 2 -- LOANS (Continued)

The Savings Bank has granted loans to certain directors, executive officers and their related business interests. The following is a summary of related party loan activity, for loans aggregating $60,000 or more to any one related party, during 2014:

Balance at beginning of year	$ 300,048
Balance at beginning of year of new directors	5,608,850
New loans	208,500
Repayments	(656,247)
Balance at end of year	$ 5,461,151

There were no loans pledged to secure public deposits as required or permitted by law at year-end 2014 and at year end 2013. Borrowing agreements with the Federal Home Loan Bank of Cincinnati are collateralized in part by a blanket pledge of $176.1 million of qualifying mortgage loans at year-end 2014. This blanket pledge consists of $127.0 million of 1-4 family real estate and $49.1 million of commercial real estate mortgage loans.

NOTE 3 -- PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at year end:

	2014	2013
Land and improvements	$ 459,697	$ 459,697
Buildings and improvements	1,066,826	1,066,826
Furniture and equipment	606,769	548,383
Total cost	2,133,292	2,074,906
Accumulated depreciation	(1,377,590)	(1,301,994)
	$ 755,702	$ 772,912

NOTE 4 -- DEPOSITS

Deposits are summarized as follows at year-end:

	2014	2013
NOW accounts	$ 11,916,497	$ 12,359,423
Passbook accounts	5,719,093	6,467,061
Money fund accounts	32,381,254	31,452,936
Certificates of deposit	225,593,339	232,301,977
	$ 275,610,183	$ 282,581,397

The Savings Bank had approximately $117.1 million and $115.7 million of deposits in denominations in excess of $100,000 at year-end 2014 and 2013.

NOTE 4 – DEPOSITS (Continued)

The Savings Bank accepts deposits from its employees, directors, executive officers and their related business interests. At September 30, 2014, such deposits totaled $7.1 million, or 2.6% of total deposits. At September 30, 2013, such deposits totaled $7.4 million, or 2.6% of total deposits.

At year-end 2014, scheduled maturities of certificates of deposit were as follows:

Year ending September 30,	
2015	$ 75,563,501
2016	58,727,667
2017	23,050,905
2018	27,653,076
2019	19,000,766
Thereafter	21,597,424
	$ 225,593,339

NOTE 5 -- BORROWINGS

Borrowings, consisting of advances from the FHLB, are summarized as follows at year-end:

	Year-end 2014 Interest Rate	2014	2013
Putable fix rate advances, 10 year original maturity	4.04 - 5.11%	8,000,000	8,000,000
		$ 8,000,000	$ 8,000,000

The Savings Bank's available cash management line of credit totaled $25,000,000 at year-end 2014. There was no outstanding balance on this line at fiscal year-end 2014 and 2013.

NOTE 5 – BORROWINGS (Continued)

The putable fixed rate advances have a guaranteed rate until the putable option date. After this date the FHLB will have quarterly options to either require the Savings Bank to prepay the advance without a fee or allow the advance to remain at the original contracted fixed rate until the next quarterly option date. The putable option dates and maturity dates are as follows:

	Interest Rate	Putable Option Date	Maturity Date
$2,500,000 Putable fixed rate advance	4.58%	12/01/14	06/01/17
$3,500,000 Putable fixed rate advance	5.11%	12/15/14	06/15/17
$2,000,000 Putable fixed rate advance	4.04%	11/21/14	08/21/17

The maximum month-end balance of advances outstanding was $8,000,000 in 2014 and $15,250,000 in 2013. The average balance of borrowings outstanding was $8,000,000 in 2014 and $11,083,000 in 2013. Advances under the borrowing agreements are collateralized by the Savings Bank's FHLB stock and a blanket pledge of qualifying mortgage loans as detailed in Note 2.

During the fiscal year 2014 the Savings Bank did not prepay advances at the FHLB. During the fiscal year 2013, the Savings Bank prepaid four putable fixed rate advances at the FHLB totaling $7.25 million. As a result of these prepayments the Savings Bank incurred $748,884 in penalties for the early extinguishment of these borrowings.

At year-end 2014 and 2013, the Savings Bank had letters of credit from the FHLB totaling $22,436,000 and $22,685,000, respectively. The letters of credit are pledged by the Savings Bank to secure public deposits.

At year-end 2014, contractually required annual principal payments were as follows:

Year ending September 30,	
2015	$ -
2016	-
2017	8,000,000
2018	-
2019	-
Thereafter	-
	$ 8,000,000

The Savings Bank may prepay its outstanding advances with the FHLB prior to their contractual maturities. The prepayment of FHLB advances could result in prepayment penalties, some of which could be substantial.

NOTE 6 -- INCOME TAXES

An analysis of income tax expense is as follows:

	2014	2013
Current	$ 1,576,383	$ 2,056,264
Deferred	(182,000)	(47,000)
	$ 1,394,383	$ 2,009,264

Income taxes for financial reporting purposes differ from the amount computed by applying the statutory federal income tax rate of 34% for reason noted in the table below:

	2014	2013
Income tax computed at the statutory rate	$ 1,399,787	$ 2,023,776
Tax effect of:		
Tax exempt interest	(8,002)	(16,442)
Other items	2,598	1,930
	$ 1,394,383	$ 2,009,264

The sources of gross deferred tax assets and gross deferred tax liabilities (rounded to thousands) at year-end are as follows:

	2014	2013
Deferred tax assets		
Allowance for loan losses	$ 1,692,000	$ 1,563,000
Interest income on nonaccrual loans	9,000	10,000
Other real estate owned valuation allowance	22,000	29,000
Deferred tax liabilities		
FHLB stock dividends	(705,000)	(733,000)
Prepaid expenses	(56,000)	(80,000)
Deferred loan fees/costs	(30,000)	(39,000)
Other	(3,000)	(3,000)
Net deferred tax asset	$ 929,000	$ 747,000

Sufficient taxes have been paid in prior years to warrant recording the deferred tax asset without a valuation allowance.

NOTE 6 -- INCOME TAXES (Continued)

No deferred tax liability is required to be recorded for the Savings Bank's tax bad debt reserves arising before December 31, 1987, totaling $2,779,000, unless it is apparent that the reserves will reverse in the near future. Unrecognized deferred taxes on these reserves would total $945,000. If the portion of retained earnings representing these reserves is used for any purpose other than to absorb bad debts, it will be added to future taxable income and the related tax will be recognized as expense.

At September 30, 2014, the Savings Bank had no unrecognized tax benefits. The Savings Bank does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months.

The Savings Bank is subject to U.S. federal income tax as well as a capital-based franchise tax in the State of Ohio. The Savings Bank is no longer subject to examination by taxing authorities for years prior to 2011.

NOTE 7 -- EMPLOYEE BENEFITS

The Savings Bank maintains a non-contributory profit sharing plan for all employees who meet certain qualifications. Employees are eligible to participate in the plan if they are 21 years of age or older and have completed one year of employment with more than 1,000 hours of service to the Savings Bank. Employer contributions are based on the Savings Bank's return on average assets for the year before nonrecurring items and are allocated to participants based on their annual salary. Employer contributions vest on a graduated basis at the rate of 20% per year in years two through six so that the employee is 100% vested upon completion of six years of service. Contribution expense for the plan was $112,000 and $110,000 for 2014 and 2013.

NOTE 8 -- COMMITMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES

Litigation: The Savings Bank is periodically subjected to claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are not expected to have a material effect on financial condition or results of operations.

Loan Commitments: Certain financial instruments, including commitments to extend credit, standby letters of credit and financial guarantees, are used to meet financing needs of customers. These involve, to varying degrees, credit risk more than the amount reported in the financial statements. Exposure to credit loss if the other party does not perform is represented by the contractual amount for commitments to extend credit, standby letters of credit and financial guarantees written. The same credit policies are used for commitments and conditional obligations as are used for loans. The amount of collateral obtained, if deemed necessary, on extension of credit is based on management's credit evaluation and generally consists of residential or commercial real estate. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being used, the total commitments do not necessarily represent future cash requirements.

The Savings Bank had commitments to make fixed-rate loans at market rates totaling $4.4 million and $8.3 million at year-end 2014 and 2013. The interest rates on fixed-rate commitments ranged from 3.25% to 5.50% at year-end 2014 and 3.15% to 5.50% at year-end 2013. Loan commitments are generally for 30 days. The Savings Bank was committed on unfunded portions of approved variable-rate lines of credit of $7,498,000 and $6,197,000 year-end 2014 and 2013.

NOTE 9 -- REGULATORY MATTERS

The Savings Bank is subject to various regulatory capital requirements administered by its federal regulatory agency, the Office of the Comptroller of the Currency (OCC). Failure to meet minimum capital requirements can initiate certain mandatory actions that, if undertaken, could have an adverse direct material effect on the Savings Bank's operations and financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Savings Bank must meet specific capital guidelines that involve quantitative measures of the Savings Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Savings Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about the Savings Bank's components, risk weightings and other factors. At year-end 2014 and 2013, management believes the Savings Bank complies with all regulatory capital requirements. As of the Savings Bank's last examination, it is considered well capitalized under the Federal Deposit Insurance Act at year-end 2014 and 2013. Management is not aware of any matters after the examination or after September 30, 2014 that would cause the Savings Bank's capital category to change.

The following is a reconciliation of shareholders' equity (in thousands) as reflected on the accompanying balance sheets, to regulatory capital at year-end 2014 and 2013:

	2014	2013
Total shareholders' equity	$ 61,153	$ 60,208
Nonallowable assets	-	-
Tier 1 (core) and tangible capital	61,153	60,208
Additional capital items:		
General valuation allowance (limited)	2,920	2,948
Other assets required to be deducted	-	-
Total risk-based capital	$ 64,073	$ 63,156

NOTE 9 -- REGULATORY MATTERS (Continued)

At year-end 2014 and 2013, actual capital level and minimum required levels were (dollars in thousands):

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2014						
Total capital (to risk-weighted assets)	$ 64,073	27.7%	$ 18,521	8.0%	$ 23,151	10.0%
Tier 1 (core) capital (to risk-weighted assets)	61,153	26.4	9,260	4.0	13,891	6.0
Tier 1 (core) capital (to adjusted total assets)	61,153	17.7	13,839	4.0	17,299	5.0
Tangible capital (to adjusted total assets)	61,153	17.7	5,190	1.5	N/A	
2013						
Total capital (to risk-weighted assets)	$ 63,156	27.0%	$ 18,735	8.0%	$ 23,419	10.0%
Tier 1 (core) capital (to risk-weighted assets)	60,208	25.7	9,368	4.0	14,051	6.0
Tier 1 (core) capital (to adjusted total assets)	60,208	17.1	14,064	4.0	17,580	5.0
Tangible capital (to adjusted total assets)	60,208	17.1	5,274	1.5	N/A	

In addition to certain federal income tax considerations, OCC regulations impose limitations on the payment of dividends and other capital distributions by savings associations. The OCC also prohibits a savings association from declaring or paying any dividends or from repurchasing any of its stock if, as a result of such action, the regulatory capital of the association would be reduced below the amount required to be maintained for the liquidation account established in connection with the Savings Bank's mutual to stock conversion. Generally, capital distributions are limited to the current year to date undistributed net income and prior two years' undistributed net income, as long as the Savings Bank remains well capitalized after the proposed distribution.

The Savings Bank currently meets all of its capital requirements and, unless the OCC determines that the Savings Bank is an institution requiring more than normal supervision or otherwise imposes a restriction on it, the Savings Bank may pay dividends in accordance with the foregoing provisions of OCC regulations without filing a notice or application with the OCC.

NOTE 10 -- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a company's own assumptions that market participants would use in pricing an asset or liability.

The Savings Bank used the following methods and significant assumptions to estimate fair value:

Impaired Loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses or the specific reserve is charged off against the loan balance. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Savings Bank.

The Savings Bank had no assets or liabilities carried at fair value and measured on a recurring basis.

NOTE 10 -- FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

	Fair Value Measurements at September 30, 2014 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired loans			
Multi-family real estate	$ -	$ -	$ 805,000
Commercial real estate (except land)	$ -	$ -	$ 2,772,500

	Fair Value Measurements at September 30, 2013 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Impaired loans			
Multi-family real estate	$ -	$ -	$ 917,878
Commercial real estate (except land)	$ -	$ -	$ 460,000

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $3.6 million, with no valuation allowance, and required an additional provision for loan losses of $100,000 for the year-end September 30, 2014. At September 30, 2013, impaired loans, which were also measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $1.4 million; with no valuation allowance, and required an additional provision for loan losses of $129,000 for the year-end.

NOTE 10 -- FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at year end, September 30, 2014 and 2013:

September 30, 2014:

		Fair value	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
Impaired loans					
Multi-family real estate	$	805,000	Sales comparison approach	Adjustment for differences between the comparable sales	61.0% (61.0%)
Commercial real estate	$	2,772,500	Sales comparison approach	Adjustment for differences between the comparable sales	2.5 - 8.0% (3.4%)

September 30, 2013:

		Fair value	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
Impaired loans					
Multi-family real estate	$	917,878	Sales comparison approach	Adjustment for differences between the comparable sales	61.0% (61.0%)
Commercial real estate	$	460,000	Sales comparison approach	Adjustment for differences between the comparable sales	8.0% (8.0%)

The carrying value and estimated fair value of the Savings Bank's financial instruments are as follows:

	September 30, 2014		September 30, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 46,955,891	$ 46,956,000	$ 53,753,398	$ 53,753,000
Interest-bearing time deposits in other financial institutions	6,486,000	6,605,000	6,434,000	6,551,000
Federal Home Loan Bank stock	2,794,200	N/A	3,044,000	N/A
Loans, net	286,592,350	294,334,000	285,273,883	291,428,000
Accrued interest receivable	1,203,325	1,203,000	1,230,671	1,231,000
Financial liabilities:				
Demand and savings deposits	(50,016,844)	(50,017,000)	(50,279,420)	(50,279,000)
Certificates of deposit	(225,593,339)	(226,766,000)	(232,301,977)	(235,966,000)
FHLB advances	(8,000,000)	(8,723,000)	(8,000,000)	(9,272,000)
Accrued interest payable	(46,338)	(46,000)	(50,910)	(51,000)

For purposes of the above disclosures of estimated fair value, certain assumptions were used. Carrying value is considered to approximate fair value for cash and cash equivalents, accrued interest receivable, loans that

NOTE 10 -- FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

contractually reprice at intervals of less than six months, deposit liabilities subject to immediate withdrawal, short-term borrowings and accrued interest payable. It was not practicable to determine the fair value of Federal Home Loan Bank stock due to restrictions place on its transferability. The fair values of fixed-rate loans and loans that reprice less frequently than each six months are approximated by a discount rate value technique, assuming certain prepayment speeds and utilizing estimated market interest rates. The fair value of interest-bearing time deposits in other financial institutions, certificates of deposit and long-term borrowings are approximated by a discount rate value technique utilizing estimated market rates of interest. The fair value of unrecorded commitments is not material.

TRANSFER AGENT

Computershare acts as the transfer agent for Perpetual Federal Savings Bank's common stock.

STOCKHOLDER AND GENERAL INQUIRIES/ANNUAL REPORTS

Copies of the annual report may be obtained without charge by contacting:

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- Federal Home Loan Bank of Cincinnati
- The Ohio Bankers League

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