

## **FOR IMMEDIATE RELEASE**

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### **PERPETUAL FEDERAL SAVINGS BANK OF URBANA, OHIO ANNOUNCES THIRD QUARTER OPERATING RESULTS**

July 25, 2014, Perpetual Federal Savings Bank of Urbana, Ohio (OTCQB: "PFOH") today reported fiscal third quarter net income of \$1.4 million, or basic and diluted earnings per share of \$0.58, for the quarter ended June 30, 2014, compared to net income of \$769,000, or basic and diluted earnings per share of \$0.31, for the quarter ended June 30, 2013. For the nine months ended June 30, 2014, the Savings Bank reported \$1.5 million of net income, or \$0.62 per share of basic and diluted earnings, compared to \$2.9 million of net income, or \$1.18 per share of basic and diluted earnings for the nine months ended June 30, 2013. The factors primarily responsible for the changes in net income for the comparative three and nine month periods are the provision for loan losses and operating expenses.

Net interest income increased for the three months ended June 30, 2014 and decreased for the nine months ended June 30, 2014 compared to the prior comparable periods. Declines in market interest rates were primarily responsible for decreased interest expense during the three and nine month periods ended June 30, 2014 as compared to the same periods in 2013. Similarly, lower rates paid on the Savings Bank's interest-bearing deposits in other financial institutions and loans resulted in decreased interest income for the three and nine months ended June 30, 2014 compared to the same periods in 2013.

The Savings Bank recorded a provision for loan losses of \$69,000 and \$3.8 million for the three and nine months ended June 30, 2014, compared to \$159,000 and \$600,000 for the three and nine months ended June 30, 2013. These entries were recorded as a result of management's analysis of the loan portfolio during the three and nine month periods, and charge-off activity during these same periods, and reflect the amounts management believed necessary to maintain the adequacy of the allowance for loan losses. Specifically, during the fiscal second quarter, management reevaluated a relationship with a single, nonresidential borrower which resulted in a larger provision for loan losses in the period compared to prior periods. Net interest income after provision for loan losses increased \$126,000 from \$2.7 million for the three months ended June 30, 2014 compared to the three months ended June 30, 2013. Net interest income after provision for loan losses decreased \$3.3 million from \$8.1 million for the nine months ended June 30, 2013 to \$4.7 million for the nine months ended June 30, 2014.

Operating expenses decreased \$671,000 from \$1.5 million to \$869,000 for the three months ended June 30, 2014, and decreased \$1.1 million from \$3.7 million for the nine months ended June 30, 2014. The decrease for the three and nine month periods was primarily due to decreased state franchise taxes and prepayment penalties on the early payment of borrowings from the Federal Home Loan Bank of Cincinnati in the 2013 period that did not reoccur in the 2014 period. Noninterest income increased from \$8,000 to \$208,000 and increased from \$40,000 to \$224,000 for the three and nine months ended June 30, 2014, compared to the prior

comparable periods. Income tax expense increased by \$343,000 and decreased by \$696,000 for the three and nine months ended June 30, 2014 compared to the prior comparable periods, principally due to changes in taxable income.

Total assets decreased \$6.0 million, or 1.7%, to \$345.6 million at June 30, 2014 from \$351.6 million at September 30, 2013, the Savings Bank's fiscal year end. Total shareholders' equity decreased \$205,000, or 0.3%, from \$60.2 million at September 30, 2013 to \$60.4 million at June 30, 2014 due to net income less dividends paid. The Savings Bank's ratio of allowance for loan losses to total assets increased from 1.3% on September 30, 2013 to 1.4% on June 30, 2014. The Savings Bank's capital ratios remain in excess of those required to be considered well-capitalized under U.S. banking regulations.

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**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

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(In Thousands, except per share data)

Selected Financial Condition Data:	(unaudited)	
	<u>06/30/14</u>	<u>09/30/13</u>
Total assets	\$345,573	\$351,608
Loans receivable, net	287,875	285,274
Allowance for loan losses	4,830	4,598
Interest bearing deposits in other financial institutions	48,793	57,634
Deposits	276,384	282,581
Shareholders' equity	60,413	60,208

  

Selected Operations Data:	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	06/30/14	06/30/13	06/30/14	06/30/13
Total interest income	\$ 3,861	\$ 4,002	\$ 11,561	\$ 12,258
Total interest expense	<u>974</u>	<u>1,151</u>	<u>2,980</u>	<u>3,606</u>
Net interest income	2,887	2,851	8,581	8,652
Provision for loan losses	<u>69</u>	<u>159</u>	<u>3,843</u>	<u>600</u>
Net interest income/loss after provision for loan losses	2,818	2,692	4,738	8,052
Other non-interest income	208	8	224	40
Operating expenses	<u>869</u>	<u>1,540</u>	<u>2,639</u>	<u>3,710</u>
Income/Loss before income taxes	2,157	1,160	2,323	4,382
Income tax expense	<u>734</u>	<u>391</u>	<u>784</u>	<u>1,480</u>
Net Income/Loss	<u>\$ 1,423</u>	<u>\$ 769</u>	<u>\$ 1,539</u>	<u>\$ 2,902</u>
Earnings per share/Basic and Diluted	<u>\$ 0.58</u>	<u>\$ 0.31</u>	<u>\$ 0.62</u>	<u>\$ 1.18</u>