December 19, 2016

Dear Shareholder:

I am pleased to provide, for your review, our 2016 Annual Report to Shareholders.

As you will see, 2016 provided us with a solid earnings year following a very strong earnings performance in 2015.

Strong loan demand (over $17 million increase), strong deposit growth (over $20 million increase) and the opportunity to increase our borrowings at the Federal Home Loan Bank of Cincinnati (by $10 million) with some very favorable rates and terms offered us the chance to grow our balance sheet by $34 million.

While net income was down slightly by $34,000 and earnings per share was down by $0.02, we were able to reward our shareholders with an increase in dividends of $0.05 per share (6.5% increase) from $.77 per share to $.82 per share.

Our strong earnings performance over the past two years allowed us to receive a Five-Star rating by Bauer Financial, the nation's leading independent bank rating firm, www.bauerfinancial.com.

This past year the Fed finally changed its benchmark interest rate for the first time in seven years. It is almost certain we will not have to wait this long for future rate increases most likely starting with the Fed's next meeting mid-December.

Finally, some of you will note that we have "householded" our mailing of the Report and Proxy Statement, thus eliminating multiple mailings to the same address. This has allowed us to reduce some of the costs associated with printing and mailing. If you require additional copies of the Report, please contact us.

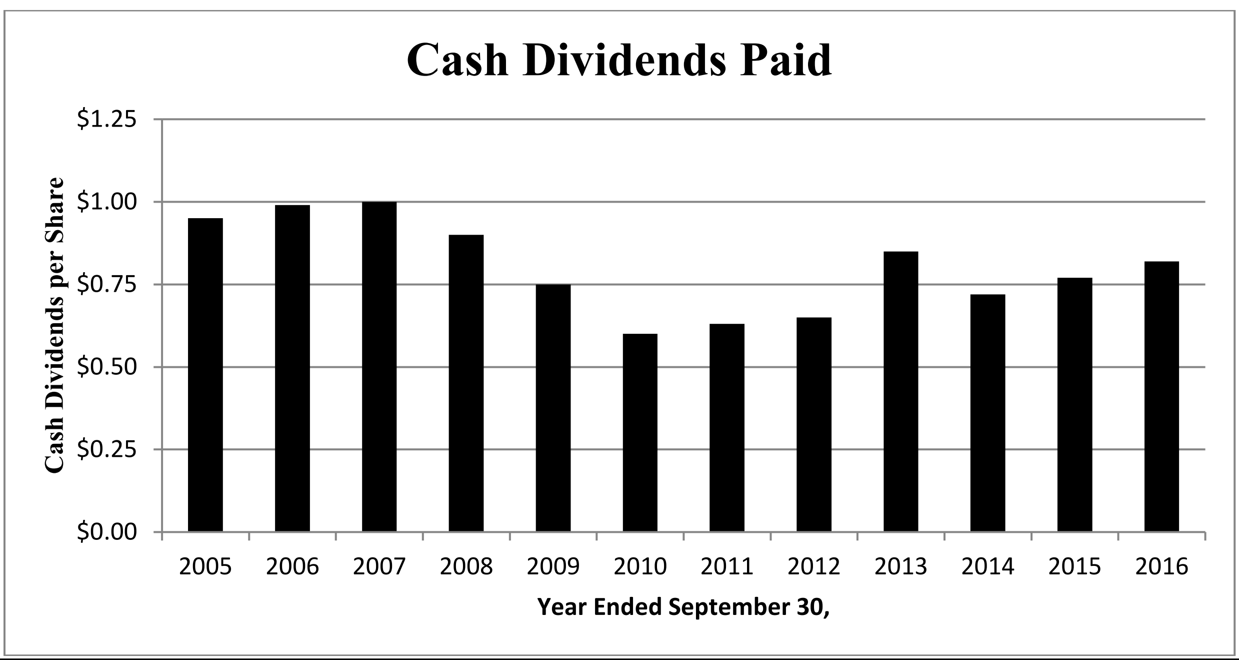
As always, your investment in our company and your patronage of our business offerings is much appreciated.

Sincerely,

Michael R. Melvin

Michael R. Melvin
President

	At or for the year ended September 30, 2016	2015
	(In thousands, except per share data)	
Selected Financial Condition Data:		
Total assets	$ 386,622	$ 352,661
Loans receivable, net	329,071	311,689
Interest-bearing deposits in other financial institutions	27,493	26,933
Deposits	299,713	279,589
Borrowings	18,500	8,000
Shareholders' equity	67,200	64,255
Selected Operations Data:		
Total interest income	$ 15,847	$ 15,053
Total interest expense	4,528	3,937
Net interest income	11,319	11,116
Provision for loan losses	86	213
Net interest income after provision for loan losses	11,233	10,903
Noninterest income	30	29
Noninterest expense	3,744	3,354
Income before income tax	7,519	7,578
Income tax expense	2,549	2,574
Net income	$ 4,970	$ 5,004
Earnings per common share:		
Basic	$ 2.01	$ 2.03
Diluted	$ 2.01	$ 2.03
Dividends per share	$ 0.82	$ 0.77



	At or for the year ended September 30,	
	2016	2015
Other Data:		
Interest rate spread information		
Average during year	2.82%	2.99%
End of year	2.61	2.93
Net interest margin (ratio of net interest income to average interest-earning assets)	3.07	3.22
Average interest-earning assets to average interest-bearing liabilities	120.00	120.25
Nonperforming assets to total assets at end of period	1.23	2.02
Return on assets (ratio of net income to average total assets)	1.33	1.43
Return on shareholders' equity (ratio of net income to average equity)	7.56	7.97
Dividend payout ratio	40.75	38.01
Shareholders' equity to total assets at end of period	17.38	18.22
Average shareholders' equity to average total assets	17.61	17.89
Efficiency ratio (ratio of noninterest expense to net interest income and other income)	32.99	30.10
Number of full service offices	1	1

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2016 and 2015, 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, 2016 and 2015, 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 12, 2016

BALANCE SHEETS
September 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and due from banks	$ 2,944,065	$ 3,457,575
Interest-bearing deposits	20,088,955	3,454,038
Total cash and cash equivalents	23,033,020	6,911,613
Interest-bearing time deposits	27,493,000	26,993,000
Securities held to maturity		
(fair value 2016 - $1,071,231 fair value 2015 - $991,767)	1,016,480	1,016,462
Federal Home Loan Bank stock - at cost	2,794,200	2,794,200
Loans (Net of allowance for loan losses: 2016 - $4,773,051		
2015 - $5,124,067)	329,071,413	311,689,220
Premises and equipment, net	695,967	714,778
Accrued interest receivable	1,339,222	1,294,793
Other real estate owned	-	50,000
Other assets	1,178,490	1,196,600
Total assets	$ 386,621,792	$ 352,660,666
LIABILITIES		
Deposits	$ 299,712,746	$ 279,588,919
Borrowings	18,500,000	8,000,000
Advance payments by borrowers for taxes and insurance	332,642	223,396
Other liabilities	876,788	593,362
Total liabilities	319,422,176	288,405,677
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	55,977,915	53,033,288
Total shareholders' equity	67,199,616	64,254,989
Total liabilities and shareholders' equity	$ 386,621,792	$ 352,660,666

See accompanying notes to financial statements

PERPETUAL FEDERAL SAVINGS BANK

STATEMENTS OF INCOME

Years ended September 30, 2016 and 2015

	2016	2015
Interest and dividend income		
Loans, including fees	$ 15,482,786	$ 14,746,583
Interest-bearing deposits	220,501	177,742
Tax-exempt securities	31,547	16,485
Other	111,922	111,768
	15,846,756	15,052,578
Interest expense		
Deposits	4,030,266	3,534,318
Borrowings	497,722	402,869
	4,527,988	3,937,187
Net interest income	11,318,768	11,115,391
Provision for loan losses	85,374	212,673
Net interest income after provision for loan losses	11,233,394	10,902,718
Noninterest income		
Service charges and other fees	5,364	5,006
Other income	24,534	24,222
Total noninterest income	29,898	29,228
Noninterest expense		
Salaries and employee benefits	1,734,714	1,512,023
Occupancy and equipment expense	113,979	122,588
Data processing services	217,578	216,867
State taxes	513,518	493,128
FDIC insurance premium	174,776	217,017
Loss on extinguishment of debt	82,953	-
Other expenses	906,592	792,674
Total noninterest expense	3,744,110	3,354,297
Income before income tax	7,519,182	7,577,649
Income tax expense	2,549,130	2,573,315
Net income	$ 4,970,052	$ 5,004,334
Earnings per common share:		
Basic	$ 2.01	$ 2.03
Diluted	$ 2.01	$ 2.03

See accompanying notes to financial statements

PERPETUAL FEDERAL SAVINGS BANK

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended September 30, 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at October 1, 2014	$ 24,700	$ 11,197,001	$ 49,930,879	$ 61,152,580
Cash dividends - $0.77 per share	-	-	(1,901,925)	(1,901,925)
Net income	-	-	5,004,334	5,004,334
Balance at September 30, 2015	24,700	11,197,001	53,033,288	64,254,989
Cash dividends - $0.82 per share	-	-	(2,025,425)	(2,025,425)
Net income	-	-	4,970,052	4,970,052
Balance at September 30, 2016	$ 24,700	$ 11,197,001	$ 55,977,915	$ 67,199,616

See accompanying notes to financial statements

PERPETUAL FEDERAL SAVINGS BANK

STATEMENTS OF CASH FLOWS

Years ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net income	$ 4,970,052	$ 5,004,334
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	67,532	72,257
Provision for loan losses	85,374	212,673
Net amortization (accretion) of securities	(18)	(10)
Deferred taxes	35,000	(33,000)
Loss(Gain) on sale of fixed assets	(9,206)	836
Loss(Gain) on sale of real estate owned	(17,230)	-
Net change in accrued interest receivable	(44,429)	(91,468)
Net change in other assets and liabilities	206,280	(284,685)
Net cash from operating activities	5,293,355	4,880,937
Cash flows from investing activities		
Net change in interest-bearing time deposits	(500,000)	(20,507,000)
Held-to-maturity securities:		
Purchases	-	(1,016,452)
Purchase of loans	(1,900,000)	(750,000)
Net change in loans	(15,567,567)	(24,559,543)
Property and equipment purchases	(63,315)	(40,169)
Proceeds from sale of fixed assets	23,800	8,000
Proceeds from sale of other real estate owned	67,230	-
Net cash used in investing activities	(17,939,852)	(46,865,164)
Cash flows from financing activities		
Net change in deposit accounts	20,123,827	3,978,736
Net change in official items outstanding	60,256	(170,716)
Proceeds from long-term borrowings	13,000,000	-
Principal payments on long-term debt	(2,500,000)	-
Net change in advance payments from borrowers for taxes and insurance	109,246	33,854
Cash dividends paid	(2,025,425)	(1,901,925)
Net cash from financing activities	28,767,904	1,939,949
Net change in cash and cash equivalents	16,121,407	(40,044,278)
Cash and cash equivalents at beginning of year	6,911,613	46,955,891
Cash and cash equivalents at end of year	$ 23,033,020	$ 6,911,613

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 12, 2016, 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 actual results could differ.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipation prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. 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.

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 when, based on current information and events, it is probable that the Savings Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 loans that are collectively evaluated for impairment 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, real estate construction, consumer and commercial loans. One-to-four family, one-to-four family construction and consumer loans rely on the historical cash flows of individual borrowers and on the collateral securing the loan. Multi-family, commercial real estate, commercial real estate construction and commercial 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.

Foreclosed Assets: Foreclosed assets are initially reported at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. At September 30, 2016 the Savings Bank had no other real estate owned. At September 30, 2015 the Savings Bank had $50,000 of other real estate owned with no valuation allowance.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2016, multi-family and commercial real estate loans to borrowers in Franklin and Delaware Counties comprise 29.0% of gross loans. Almost all of these loans are obtained through an outside loan originator. Also, at September 30, 2016 and 2015 the Savings Bank had $25,885,019 and $25,060,510 in deposits at the Federal Home Loan Bank of Cincinnati ("FHLB") in addition to FHLB stock totaling $2,794,200 at September 30, 2016 and 2015.

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 $4,517,000 and $3,935,000 and income taxes of $2,329,000 and $2,966,000 in 2016 and 2015.

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, 2016 the weighted average remaining maturity of the Savings Bank's interest-bearing deposits in other financial institutions was 222 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 11 for more specific disclosure related to federal savings banks.

Reclassifications: Certain amounts appearing in the 2015 financial statements and related notes have been reclassified to conform to the 2016 presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

NOTE 2 -- SECURITIES

The following table summarizes the amortized cost and fair value of securities held-to-maturity at September 30, 2016 and 2015 and the corresponding amounts of gross unrecognized gains and losses:

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
2016				
Held-to-maturity				
State and political subdivisions	$ 1,016,480	$ 54,751	$ -	$ 1,071,231
Total held-to-maturity	$ 1,016,480	$ 54,751	$ -	$ 1,071,231

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
2015				
Held-to-maturity				
State and political subdivisions	$ 1,016,462	$ 197	$ (24,892)	$ 991,767
Total held-to-maturity	$ 1,016,462	$ 197	$ (24,892)	$ 991,767

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2016		September 30, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Held-to-maturity				
Within one year	$ -	$ -	$ -	$ -
One to five years	20,127	20,511	-	-
Five to ten years	501,078	530,445	521,363	518,322
Beyond ten years	495,275	520,275	495,099	473,445
Total held-to-maturity	$ 1,016,480	$ 1,071,231	$ 1,016,462	$ 991,767

No securities were pledged at year-end 2016 and 2015. At year-end 2016 and 2015, there were no holdings of securities of any one issuer in an amount greater than 10% of shareholders' equity.

NOTE 2 -- SECURITIES (Continued)

At September 30, 2016 there were no securities with unrealized losses. The following table summarizes securities with unrealized losses at September 30, 2015, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
September 30, 2015						
Held-to-maturity						
States and political subdivisions	$ 971,570	$ (24,892)	$ -	$ -	$ 971,570	$ (24,892)
Total held-to-maturity	$ 971,570	$ (24,892)	$ -	$ -	$ 971,570	$ (24,892)

Unrealized losses on municipal bonds have not been recognized into income because the issuer bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

NOTE 3 -- LOANS RECEIVABLE

Loans receivable consisted of the following at year-end:

	2016	2015
Mortgage loans		
One-to-four family real estate loans	$ 181,856,039	$ 163,209,536
Multi-family real estate loans	74,863,796	71,700,932
Commercial real estate loans	61,926,650	67,512,208
Real estate construction loans	5,567,673	5,400,880
	324,214,158	307,823,556
Consumer and other loans		
Consumer loans	4,916,885	6,011,747
Commercial loans	5,386,213	3,815,013
	10,303,098	9,826,760
Gross loans	334,517,256	317,650,316
Less:		
Deferred loan origination fees and costs, net	(672,792)	(837,029)
Allowance for loan losses	(4,773,051)	(5,124,067)
	(5,445,843)	(5,961,096)
	$ 329,071,413	$ 311,689,220

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended September 30, 2016 and 2015:

	One-to-four Real Estate	Multi-family Real Estate	Commercial Real Estate	Consumer & Commercial	Unallocated	Total
For the year ended September 30, 2016						
Balance at beginning of period	$ 1,111,407	$ 1,804,982	$ 986,196	$ 1,221,482	$ -	$ 5,124,067
Provision for loan losses	179,073	(873,819)	216,459	563,661	-	85,374
Recoveries	204,485	647,409	435,118	70,000	-	1,357,012
Charge-offs	(322,016)	(944,425)	(526,951)	(10)	-	(1,793,402)
Balance at end of period	$ 1,172,949	$ 634,147	$ 1,110,822	$ 1,855,133	$ -	$ 4,773,051

	One-to-four Real Estate	Multi-family Real Estate	Commercial Real Estate	Consumer & Commercial	Unallocated	Total
For the year ended September 30, 2015						
Balance at beginning of period	$ 687,633	$ 1,426,742	$ 2,304,061	$ 559,311	$ -	$ 4,977,747
Provision for loan losses	287,407	572,074	(1,268,979)	622,171	-	212,673
Recoveries	185,272	149,949	24,260	40,000	-	399,481
Charge-offs	(48,905)	(343,783)	(73,146)	-	-	(465,834)
Balance at end of period	$ 1,111,407	$ 1,804,982	$ 986,196	$ 1,221,482	$ -	$ 5,124,067

NOTE 3 - 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, 2016:

	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	$ 7,057	$ -	$ 110,021	$ -	$ -	$ 117,078
Collectively evaluated for impairment	1,165,892	634,147	1,000,801	1,855,133	-	4,655,973
Total ending allowance balance	$ 1,172,949	$ 634,147	$ 1,110,822	$ 1,855,133	$ -	$ 4,773,051
Loans:						
Loans individually evaluated for impairment	$ 3,113,052	$ 529,943	$ 3,458,489	$ -		$ 7,101,484
Loans collectively evaluated for impairment	179,845,936	74,367,406	63,462,310	10,345,061		328,020,713
Total ending loans balance	$ 182,958,988	$ 74,897,349	$ 66,920,799	$ 10,345,061		$ 335,122,197

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

NOTE 3 - 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, 2015:

	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	$ 216	$ -	$ 14,934	$ -	$ -	$ 15,150
Collectively evaluated for impairment	1,111,191	1,804,982	971,262	1,221,482	-	5,108,917
Total ending allowance balance	$ 1,111,407	$ 1,804,982	$ 986,196	$ 1,221,482	$ -	$ 5,124,067
Loans:						
Loans individually evaluated for impairment	$ 4,582,212	$ 1,942,446	$ 5,636,113	$ -		$ 12,160,771
Loans collectively evaluated for impairment	159,142,345	69,772,681	67,120,311	9,867,788		305,903,125
Total ending loans balance	$ 163,724,557	$ 71,715,127	$ 72,756,424	$ 9,867,788		$ 318,063,896

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

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents impaired loans by class of loans for the year ended September 30, 2016:

	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	3,496,795	154,676	41,454
Secured by Junior Liens	10,608	-	-
Multi-family real estate	963,916	94,920	94,920
Commercial real estate (Except Land)	3,852,847	151,647	71,773
Land	31,667	1,962	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
Total	$ 8,355,833	$ 403,205	$ 208,147

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents impaired loans by class of loans for the year ended September 30, 2015:

	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	3,302,255	142,446	61,344
Secured by Junior Liens	13,507	188	188
Multi-family real estate	5,584,348	204,541	124,389
Commercial real estate (Except Land)	5,737,292	221,355	100,641
Land	56,024	3,485	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	217,156	-	-
Total	$ 14,910,582	$ 572,015	$ 286,562

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2016:

	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	3,495,131	2,807,848	-
Secured by Junior Liens	9,263	9,263	-
Multi-family real estate	1,259,070	529,943	-
Commercial real estate (Except Land)	1,206,149	1,083,653	-
Land	668,461	560,092	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	122,156	-	-
	6,760,230	4,990,799	-
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	313,941	295,941	7,057
Secured by Junior Liens	-	-	-
Multi-family real estate	-	-	-
Commercial real estate (Except Land)	2,109,193	1,814,744	110,021
Land	-	-	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
	2,423,134	2,110,685	117,078
Total	$ 9,183,364	$ 7,101,484	$ 117,078

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2015:

	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	5,134,463	4,555,213	-
Secured by Junior Liens	11,936	11,936	-
Multi-family real estate	2,765,484	1,942,446	-
Commercial real estate (Except Land)	5,400,021	4,581,337	-
Land	44,807	223	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Mobile Home Loans	-	-	-
Other	192,156	-	-
	13,548,867	11,091,155	-
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	15,063	15,063	216
Secured by Junior Liens	-	-	-
Multi-family real estate	-	-	-
Commercial real estate (Except Land)	393,725	393,725	5,625
Land	660,828	660,828	9,309
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
	1,069,616	1,069,616	15,150
Total	$ 14,618,483	$ 12,160,771	$ 15,150

NOTE 3 - 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, 2016:

	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	1,533,005	-
Secured by Junior Liens	9,263	-
Multi-family real estate	529,943	-
Commercial real estate (Except Land)	2,095,087	-
Land	560,000	-
Commercial Loans:		
Secured	-	-
Unsecured	-	-
Consumer Loans:		
Loans on Deposits	-	-
Auto Loans	-	-
Other	-	-
Total	$ 4,727,298	$ -

NOTE 3 - 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, 2015:

	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	2,066,101	-
Secured by Junior Liens	11,936	-
Multi-family real estate	1,942,446	-
Commercial real estate (Except Land)	3,063,134	-
Land	-	-
Commercial Loans:		
Secured	-	-
Unsecured	-	-
Consumer Loans:		
Loans on Deposits	-	-
Auto Loans	-	-
Other	-	-
Total	$ 7,083,617	$ -

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents the aging of the recorded investment in past due loans as of September 30, 2016 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	$ -	$ -	$ -	$ -	$ 677,299	$ 677,299
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	-	-	-	-	4,912,222	4,912,222
One-to-four family real estate:						
Secured by First Liens	423,082	112,623	464,319	1,000,024	180,976,245	181,976,269
Secured by Junior Liens	-	-	9,264	9,264	296,156	305,420
Multi-family real estate	-	-	102,182	102,182	74,795,167	74,897,349
Commercial real estate (Except Land)	484,670	22,720	173,751	681,141	60,762,664	61,443,805
Land	-	-	-	-	564,772	564,772
Commercial Loans:						
Secured	39,006	-	-	39,006	493,383	532,389
Unsecured	-	-	-	-	4,868,755	4,868,755
Consumer Loans:						
Loans on Deposits	-	-	-	-	170,186	170,186
Auto Loans	-	-	-	-	108,166	108,166
Other	-	632	-	632	4,664,933	4,665,565
Total	$ 946,758	$ 135,975	$ 749,516	$ 1,832,249	$ 333,289,948	$ 335,122,197

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents the aging of the recorded investment in past due loans as of September 30, 2015 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	$ -	$ -	$ -	$ -	$ 277,510	$ 277,510
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	-	-	-	-	5,144,270	5,144,270
One-to-four family real estate:						
Secured by First Liens	348,574	13,571	336,895	699,040	162,499,591	163,198,631
Secured by Junior Liens	-	11,936	-	11,936	236,480	248,416
Multi-family real estate	554,552	-	436,927	991,479	70,723,648	71,715,127
Commercial real estate (Except Land)	597,978	-	415,325	1,013,303	65,720,846	66,734,149
Land	-	-	-	-	878,005	878,005
Commercial Loans:						
Secured	-	-	-	-	862,270	862,270
Unsecured	-	-	-	-	2,962,037	2,962,037
Consumer Loans:						
Loans on Deposits	-	-	-	-	190,722	190,722
Auto Loans	-	-	-	-	121,979	121,979
Other	-	667	-	667	5,730,113	5,730,780
Total	$ 1,501,104	$ 26,174	$ 1,189,147	$ 2,716,425	$ 315,347,471	$ 318,063,896

NOTE 3 - LOANS RECEIVABLE (Continued)

Troubled Debt Restructurings:

The Savings Bank has a recorded investment in troubled debt restructurings of $5.4 million and $10.0 million at September 30, 2016 and 2015, respectively. The Savings Bank has allocated $117,078 in specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2016. No specific reserves were allocated to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2015. The Savings Bank has not committed to lend additional amounts as of September 30, 2016 and 2015 to customers with outstanding loans that are classified as troubled debt restructurings.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending September 30, 2016:

	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	-	-	-
Secured by Junior Liens	-	-	-
Multi-family real estate	2	436,911	436,911
Commercial real estate (Except Land)	1	571,098	571,098
Land	-	-	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
Total	3	$ 1,008,009	$ 1,008,009

During the fiscal year ending September 30, 2016, the modification of the terms of all of the troubled debt restructuring were agreements to accept reduced payments. There was no reduction in the recorded investment of these loans.

The troubled debt restructurings described above had a specifically allocated reserve of $117,078 from the allowance for loan losses but resulted in no additional charge-offs during the year ending September 30, 2016.

NOTE 3 - LOANS RECEIVABLE (Continued)

The following table presents loans by class modified as trouble debt restructurings that occurred during the year ending September 30, 2015:

	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	12	1,621,915	1,621,915
Secured by Junior Liens	-	-	-
Multi-family real estate	1	545,361	545,361
Commercial real estate (Except Land)	-	-	-
Land	-	-	-
Commercial Loans:			
Secured	-	-	-
Unsecured	-	-	-
Consumer Loans:			
Loans on Deposits	-	-	-
Auto Loans	-	-	-
Other	-	-	-
Total	13	$ 2,167,276	$ 2,167,276

During the fiscal year ending September 30, 2015, the modification of the terms of all of the troubled debt restructuring were agreements to accept reduced payments. One of the modifications of the one-to-four family real estate loans secured by first liens also included an agreement to extend the maturity date as well as the acceptance of 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, 2015.

NOTE 3 - 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, 2016 and the year ending September 30, 2015.

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.

Loans not meeting the criteria above that are analyzed individually are considered to be pass-rated loans. Loans listed as not rated are less than $500,000 aggregated to one borrower.

NOTE 3 - 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, 2016, and based on the analysis performed as of September 30, 2016, 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	$ 677,299	$ -	$ -	$ -	$ -	$ -
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	4,912,222	-	-	-	-	-
One-to-four family real estate						
Secured by First Liens	142,216,736	37,919,848	-	1,839,685	-	-
Secured by Junior Liens	296,156	-	-	9,264	-	-
Multi-family real estate	31,118,980	43,248,426	-	529,943	-	-
Commercial real estate (Except Land)	25,869,993	33,166,857	-	2,406,955	-	-
Land	4,680	-	-	560,092	-	-
Commercial Loans:						
Secured	532,389	-	-	-	-	-
Unsecured	4,453,909	414,846	-	-	-	-
Consumer Loans:						
Loans on Deposits	170,186	-	-	-	-	-
Auto Loans	108,166	-	-	-	-	-
Other	4,665,565	-	-	-	-	-
Total	$ 215,026,281	$ 114,749,977	$ -	$ 5,345,939	$ -	$ -

The Savings Bank neither originates nor purchases subprime loans.

NOTE 3 - 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, 2015, and based on the analysis performed as of September 30, 2015, 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	$ 277,510	$ -	$ -	$ -	$ -	$ -
Multi-family real estate	-	-	-	-	-	-
Commercial real estate	5,144,270	-	-	-	-	-
One-to-four family real estate						
Secured by First Liens	110,690,562	50,071,907	354,997	2,081,165	-	-
Secured by Junior Liens	236,480	-	-	11,936	-	-
Multi-family real estate	20,555,218	49,217,463	-	1,942,446	-	-
Commercial real estate (Except Land)	26,333,515	36,943,776	-	3,050,408	406,450	-
Land	216,955	-	223	660,827	-	-
Commercial Loans:						
Secured	468,576	-	393,694	-	-	-
Unsecured	2,962,037	-	-	-	-	-
Consumer Loans:						
Loans on Deposits	190,722	-	-	-	-	-
Auto Loans	121,979	-	-	-	-	-
Other	5,497,131	233,649	-	-	-	-
Total	$ 172,694,955	$ 136,466,795	$ 748,914	$ 7,746,782	$ 406,450	$ -

The Savings Bank neither originates nor purchases subprime loans.

NOTE 3 - 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 performing status of the loan, which was previously presented, and by payment activity. Nonperforming loans include nonaccrual loans and loans past due over 90 days still on accrual. The following table presents the recorded investment in the portfolio based on performance status as of September 30, 2016 and September 30, 2015:

	September 30, 2016:		September 30, 2015:	
	Performing	Nonperforming	Performing	Nonperforming
Construction Loans on:				
One-to-four family real estate	$ 677,299	$ -	$ 277,510	$ -
Multi-family real estate	-	-	-	-
Commercial real estate	4,912,222	-	5,144,270	-
One-to-four family real estate				
Secured by First Liens	180,443,264	1,533,005	161,132,530	2,066,101
Secured by Junior Liens	296,157	9,263	236,480	11,936
Multi-family real estate	74,367,406	529,943	69,772,681	1,942,446
Commercial real estate (Except Land)	59,348,718	2,095,087	63,671,015	3,063,134
Land	4,772	560,000	878,005	-
Commercial Loans:				
Secured	532,389	-	862,270	-
Unsecured	4,868,755	-	2,962,037	-
Consumer Loans:				
Loans on Deposits	170,186	-	190,722	-
Auto Loans	108,166	-	121,979	-
Other	4,665,565	-	5,730,780	-
Total	$ 330,394,899	$ 4,727,298	$ 310,980,279	$ 7,083,617

NOTE 3 -- LOANS RECEIVABLE (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 2016:

Balance at beginning of year	$ 4,629,521
New loans	1,341,600
Repayments	(998,577)
Balance at end of year	$ 4,972,544

Borrowing agreements with the Federal Home Loan Bank of Cincinnati are collateralized in part by a blanket pledge of $179.0 million of qualifying mortgage loans at year-end 2016. This blanket pledge consists entirely of 1-4 family real estate mortgage loans.

NOTE 4 – REAL ESTATE OWNED

Real estate owned activity was as follows:

	2016	2015
Beginning balance	$ 50,000	$ 50,000
Loans transferred to real estate owned	-	-
Capitalized expenditures	-	-
Direct write-downs	-	-
Sales of real estate owned	(50,000)	-
End of year	$ -	$ 50,000

At September 30, 2015, the balance of real estate owned includes $50,000 of foreclosed residential real estate properties as a result of obtaining physical possession of the property. At September 30, 2016 and 2015, there was no recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process.

Expenses related to foreclosed assets include:

	2016	2015
Net loss (gain) on sales	$ (17,230)	$ -
Provision for unrealized losses	-	-
Operating expenses, net of rental income	(537)	(4,379)
	$ (17,767)	$ (4,379)

NOTE 5 -- PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at year end:

	2016	2015
Land and improvements	$ 459,697	$ 459,697
Buildings and improvements	1,066,826	1,066,826
Furniture and equipment	621,247	609,520
Total cost	2,147,770	2,136,043
Accumulated depreciation	(1,451,803)	(1,421,265)
	$ 695,967	$ 714,778

NOTE 6 -- DEPOSITS

Deposits are summarized as follows at year-end:

	2016	2015
NOW accounts	$ 11,858,972	$ 12,697,577
Passbook accounts	5,551,136	6,105,819
Money fund accounts	31,731,360	32,718,027
Certificates of deposit	250,571,278	228,067,496
	$ 299,712,746	$ 279,588,919

The Savings Bank had approximately $52.9 million and $49.8 million of deposits in denominations in excess of $250,000 at year-end 2016 and 2015.

The Savings Bank accepts deposits from its employees, directors, executive officers and their related business interests. At September 30, 2016, such deposits totaled $6.8 million, or 2.3% of total deposits. At September 30, 2015, such deposits totaled $6.7 million, or 2.4% of total deposits. The Savings Bank did not have any brokered deposits at September 30, 2016 and September 30, 2015.

At year-end 2016, scheduled maturities of certificates of deposit were as follows:

Year ending September 30,	
2017	$ 64,122,489
2018	57,662,243
2019	55,040,847
2020	35,864,572
2021	20,774,011
Thereafter	17,107,116
	$ 250,571,278

NOTE 7 -- BORROWINGS

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

	Year-end 2016 Interest Rate	2016	2015
Putable fixed rate advances, 10 year original maturity	4.04 - 5.11%	5,500,000	8,000,000
Regular fixed rate advances, 3 year original maturity	1.14 - 1.46%	6,000,000	-
Regular fixed rate advances, 5 year original maturity	1.51 - 1.98%	7,000,000	-
		$ 18,500,000	$ 8,000,000

The Savings Bank's available cash management line of credit totaled $25,000,000 at year-end 2016. There was no outstanding balance on this line at fiscal year-end 2016 and 2015.

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
$3,500,000 Putable fixed rate advance	5.11%	12/15/16	06/15/17
$2,000,000 Putable fixed rate advance	4.04%	11/21/16	08/21/17

The maximum month-end balance of advances outstanding was $21,000,000 in 2016 and $8,000,000 in 2015. The average balance of borrowings outstanding was $15,292,000 in 2016 and $8,000,000 in 2015. 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 3.

At year-end 2016 and 2015, the Savings Bank had letters of credit from the FHLB totaling $24,660,000 and $23,920,500, respectively. The letters of credit are pledged by the Savings Bank to secure public deposits.

NOTE 7 – BORROWINGS (Continued)

At year-end 2016, contractually required annual principal payments were as follows:

Year ending September 30,	
2017	$ 5,500,000
2018	-
2019	6,000,000
2020	-
2021	7,000,000
Thereafter	-
	$ 18,500,000

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 8 -- INCOME TAXES

An analysis of income tax expense is as follows:

	2016	2015
Current	$ 2,514,130	$ 2,606,315
Deferred	35,000	(33,000)
	$ 2,549,130	$ 2,573,315

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:

	2016	2015
Income tax computed at the statutory rate	$ 2,556,522	$ 2,576,401
Tax effect of:		
Tax exempt interest	(9,890)	(5,152)
Other items	2,498	2,066
	$ 2,549,130	$ 2,573,315

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

	2016	2015
Deferred tax assets		
Allowance for loan losses	$ 1,623,000	$ 1,729,000
Interest income on nonaccrual loans	105,000	11,000
Other real estate owned valuation allowance	-	22,000
Other	29,000	12,000
Deferred tax liabilities		
FHLB stock dividends	(705,000)	(705,000)
Prepaid expenses	(62,000)	(57,000)
Deferred loan fees/costs	(63,000)	(50,000)
Net deferred tax asset	$ 927,000	$ 962,000

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

NOTE 8 -- 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, 2016, 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. No amounts were recorded for interest or penalties in the income statement for the fiscal years ended September 30, 2016 and 2015 and no amounts have been accrued for interest or penalties at September 30, 2016 and 2015.

The Savings Bank is subject to U.S. federal income tax as well as a capital-based financial institutions tax in the State of Ohio. The Savings Bank is no longer subject to examination by taxing authorities for years prior to 2013.

NOTE 9 -- 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 $141,000 and $123,000 for 2016 and 2015.

NOTE 10 -- 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.

NOTE 10 -- COMMITMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES (Continued)

The Savings Bank had commitments to make fixed-rate loans at market rates totaling $8.3 million and $8.7 million at year-end 2016 and 2015. The interest rates on fixed-rate commitments ranged from 3.00% to 5.00% at year-end 2016 and 3.25% to 5.00% at year-end 2015. Loan commitments are generally for 30 days. The Savings Bank was committed on unfunded portions of approved variable-rate lines of credit of $5.5 million and $5.4 million year-end 2016 and 2015.

NOTE 11 -- REGULATORY MATTERS

The Savings Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III Rules) became effective for the Savings Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Among other requirements, under the Basel III Rules, the Savings Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. The capital conservation buffer for 2016 is 0.625%. Management believes as of September 30, 2016, the Savings Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At September 30, 2016 and 2015, the most recent regulatory notifications categorized the Savings Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The following is a reconciliation of shareholders' equity (in thousands), as reflected on the accompanying balance sheets, to regulatory capital at year-end 2016 and 2015:

	2016	2015
Total shareholders' equity	$ 67,200	$ 64,255
Nonallowable assets	-	-
Tier 1 (core) and tangible capital	67,200	64,255
Additional capital items:		
General valuation allowance (limited)	3,019	3,211
Other assets required to be deducted	-	-
Total risk-based capital	$ 70,219	$ 67,466

NOTE 11 -- REGULATORY MATTERS (Continued)

At year-end 2016 and 2015, actual capital levels, minimum, and well capitalized levels under the Basel III Rules 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
2016						
Total Captial to risk weighted assets	$ 70,219	29.3%	$ 19,181	8.0%	$ 23,977	10.0%
Tier 1 (Core) Capital to risk weighted assets	67,200	28.0	14,386	6.0	19,181	8.0
Common Tier 1 (CET1)	67,200	28.0	10,790	4.5	15,585	6.5
Tier 1 (Core) Capital to average assets	67,200	17.5	15,398	4.0	19,248	5.0
Tangible Capital (to adjusted) total assets)	67,200	17.5	7,699	2.0	N/A	N/A
2015						
Total Captial to risk weighted assets	$ 67,466	26.5%	$ 20,400	8.0%	$ 25,501	10.0%
Tier 1 (Core) Capital to risk weighted assets	64,255	25.2	15,300	6.0	20,400	8.0
Common Tier 1 (CET1)	64,255	25.2	11,475	4.5	16,575	6.5
Tier 1 (Core) Capital to average assets	64,255	18.3	14,050	4.0	17,563	5.0
Tangible Capital (to adjusted) total assets)	64,255	18.3	7,025	2.0	N/A	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. 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 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.

NOTE 11 -- REGULATORY MATTERS (Continued)

The Savings Bank currently meets the capital requirements outlined above 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 12 -- 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 12 -- FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

	Fair Value Measurements at September 30, 2016 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			
Commercial real estate (except land)	$ -	$ -	$ 1,715,779

	Fair Value Measurements at September 30, 2015 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	$ -	$ -	$ 651,358
Commercial real estate (except land)	$ -	$ -	$ 2,633,505

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $1.7 million, with a valuation allowance of $110,021, and required an additional provision for loan losses of $374,000 for the year-ended September 30, 2016. At September 30, 2015, impaired loans, which were also measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $3.3 million; with no valuation allowance, and required an additional provision for loan losses of $116,000 for the year-ended September 30, 2015.

NOTE 12 -- 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, 2016 and 2015:

September 30, 2016:

	Fair value	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
Impaired loans				
Commercial real estate	$ 1,715,779	Sales comparison approach	Adjustment for differences between the comparable sales	23.3% (23.3%)

September 30, 2015:

	Fair value	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
Impaired loans				
Multi-family real estate	$ 651,358	Sales comparison approach	Adjustment for differences between the comparable sales	61.0% (61.0%)
Commercial real estate	$ 2,633,505	Sales comparison approach	Adjustment for differences between the comparable sales	2.5 - 8.0% (3.4%)

NOTE 12 -- FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

	September 30, 2016		September 30, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 23,033,020	$ 23,033,000	$ 6,911,613	$ 6,912,000
Interest-bearing time deposits in other financial institutions	27,493,000	27,545,000	26,993,000	27,025,000
Securities held to maturity	1,016,480	1,071,000	1,016,462	992,000
Federal Home Loan Bank stock	2,794,200	N/A	2,794,200	N/A
Loans, net	329,071,413	339,304,000	311,689,220	322,257,000
Accrued interest receivable	1,339,222	1,339,000	1,294,793	1,295,000
Financial liabilities:				
Demand and savings deposits	(49,141,468)	(49,141,000)	(51,521,423)	(51,521,000)
Certificates of deposit	(250,571,278)	(253,751,000)	(228,067,496)	(228,965,000)
FHLB advances	(18,500,000)	(18,776,000)	(8,000,000)	(8,538,000)
Accrued interest payable	(59,906)	(60,000)	(48,861)	(49,000)

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 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 securities held to maturity is based on market prices of similar securities. The fair value of unrecorded commitments is not material.

TRANSFER AGENT

The transfer agent for Perpetual Federal Savings Bank's common stock is:

Continental Stock Transfer & Trust
17 Battery Place, 8th Floor
New York, NY 10004
(212) 509-4000

STOCKHOLDER AND GENERAL INQUIRIES/ANNUAL REPORTS

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

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MEMBERSHIPS

- Federal Deposit Insurance Corporation
- Federal Home Loan Bank of Cincinnati
- The Ohio Bankers League

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