



PUBLIC DISCLOSURE

July 17, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Perpetual FSB
Charter Number 702644

120 N. Main Street
Urbana, Ohio 43078-1602

Office of the Comptroller of the Currency

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating: **Satisfactory**

The Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Satisfactory**.

- Perpetual Federal Savings Bank's (Perpetual or the thrift) loan-to-deposit (LTD) ratio is more than reasonable when compared to similarly-situated financial institutions.
- The thrift's lending to borrowers of different income levels reflects reasonable penetration.
- Perpetual's performance in lending to geographies of different income levels exhibits excellent dispersion.
- The thrift's responsiveness to community development (CD) needs through CD lending, investments, and services is adequate and supports satisfactory performance.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan

middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and re-financings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area is composed of the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Perpetual, a federally chartered stock thrift, operates its sole branch in downtown Urbana, Ohio. The banking office includes a drive-thru facility. Perpetual does not offer internet banking or automated teller machines. From 2014-2016, the thrift was located in a moderate-income census tract (CT). As of 2017, the thrift is now located in a middle-income CT. Perpetual has designated one assessment area (AA) which includes all of Champaign County, Ohio, in its entirety.

Perpetual maintains a diverse loan portfolio and reported total assets of \$392.6 million at March 31, 2017. Perpetual's principal line of business is mortgage lending. Additionally, Perpetual serves the community with commercial, consumer, farm, and other loan products. The thrift's business strategy also includes originating multifamily, commercial real estate, and 1-4 family residential real estate loans through a broker in the Columbus, Ohio market area, outside the thrift's AA. The thrift offers standard savings and deposit products.

As of March 31, 2017, Perpetual reported Tier 1 Capital of \$68.7 million or 17.49 percent of total assets. For the same time period, the thrift's net loan portfolio totaled \$339 million, with net loans representing 86.39 percent of total assets. Table 1 below reflects the thrift's lending activity during the lending evaluation period, with residential real estate loans as the bank's primary product.

Table 1 – Loan Mix				
	% by Number of Loans Originated/Purchased during evaluation period		% by Dollars of Loans Originated/Purchased during evaluation period (in 000s)	
Loan Type	# of Loans	%	\$000s	%
Residential Real Estate 1-4 Family (Home Loans/HMDA)	598	69.86	132,068	54.89
Consumer	138	16.12	11,001	4.57
Multi-Family	54	6.31	47,996	19.95
Non-Farm Non-Residential	39	4.56	27,164	11.29
Commercial Business	14	1.64	6,029	2.51
Construction & Land Development	8	0.93	13,488	5.60
Farm	5	0.58	2,858	1.19
Total	856	100.00	240,604	100.00

Source: Perpetual's internal record of loans originated from January 1, 2014 through December 31, 2016.

Competition remains strong in the AA, with many local community banks, savings and loan associations, and branches of larger financial institutions. There are seven financial institutions with 14 total offices in Champaign County. As of June 30, 2016, Perpetual

had approximately 43 percent of the total deposit market share in Champaign County and ranked first out of the seven financial institutions. The source of the deposit market share information is the June 30, 2016, Deposit Market Share Report issued by the Federal Deposit Insurance Corporation (FDIC).

There are no financial or legal impediments that affect Perpetual's ability to help meet the credit needs of Champaign County. Perpetual received a "Satisfactory" rating during the last CRA review dated May 5, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We conducted a full-scope CRA evaluation to assess the thrift's record of meeting the credit needs of its entire community, including low- and moderate-income areas. We used intermediate small savings association evaluation procedures to assess the thrift's performance under the Lending Test and CD Test. The Lending Test includes loans originated from January 1, 2014 to December 31, 2016, the lending evaluation period. The thrift's performance in residential real estate lending (one- to four-family home purchase and refinance loans) is considered foremost in this CRA evaluation, as this is the thrift's primary lending product. We used the 2010 U.S. Census data to analyze performance for the Lending Test. The CD Test considered CD loans, investments, and services from May 5, 2014 to July 17, 2017 (CD evaluation period).

Data Integrity

Perpetual is not located in a MSA and is therefore not required to maintain data under the Home Mortgage Disclosure Act (HMDA). However, Perpetual maintains a HMDA loan application register (LAR). A data integrity examination of the thrift's home mortgage loans was performed in 2017, and we found the data accurate and reliable.

Selection of Areas for Full-Scope Review

We completed a full-scope review of the Champaign County AA which is the thrift's only AA.

Ratings

The thrift's overall rating is based on the review of the Champaign County AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Perpetual's lending performance is satisfactory.

Loan-to-Deposit Ratio

The thrift's LTD ratio is more than reasonable given their size, financial condition, and AA credit needs. Perpetual's quarterly average LTD ratio for the 12 quarters since the prior CRA evaluation (June 2014 to March 2017) of 108.84 percent is more than reasonable when compared to similarly-situated financial institutions. Since the last CRA evaluation, Perpetual's LTD ratio ranged from its lowest of 103.78 percent as of September 30, 2014, to its highest of 111.87 percent on December 31, 2015. The quarterly LTD ratio for similarly-situated financial institutions located within the same area was approximately 92.42 percent, during the same timeframe.

Lending in Assessment Area

A majority of the loans Perpetual originated are located outside their AA, however, Perpetual is meeting the credit needs of their AA. Perpetual is not a HMDA reporter but when comparing their lending activity for 1-4 family residences in 2015 with reported HMDA data for that year, Perpetual originated 66 loans within the AA, which would have ranked them 4th out of the 159 HMDA reporters originating loans in the AA.

During the lending evaluation period, Perpetual originated 28% of their purchase and refinance 1-4 family mortgage loans by number and 12% by dollar within their AA. As noted, there is strong competition within their AA and Perpetual maintains a business strategy where they purchase loans from a broker located in nearby Franklin County. This strategy has enabled them to continue to originate loans which are funded mostly by local deposits.

Lending to Borrowers of Different Incomes

Lending to borrowers of different income levels in the Champaign County AA reflects reasonable penetration. During the lending evaluation period, the thrift originated 190 loans in the Champaign County AA, with 59 (31 percent) as home purchases, and 131 (69 percent) as refinance loans. Of those loans, just under 9 percent were originated to low-income borrowers which is excellent when compared to aggregate AA lenders. The distribution of refinance loans to moderate-income borrowers is near to the percentage of loans made by AA lenders. With a majority of the loans as refinances, Perpetual's distribution to low- and moderate-income borrowers is reasonable. Refer to Table 2 for more details on the borrower distribution of home loans in the AA.

Table 2 Borrower Distribution of Residential Real Estate Loans in the Champaign County AA					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of AA Families
Loan Type	Purchases	Refinances	Purchases	Refinances	
Low	8.77	8.53	7.83	4.26	16.08
Moderate	15.79	15.50	36.11	15.96	16.31
Middle	22.81	18.60	26.26	32.62	22.04
Upper	52.63	57.37	29.80	47.16	45.57

Source: HMDA Loan Data from January 1, 2014 through December 31, 2016; 2010 U.S. Census Data. The above numbers are as a percentage of loans with borrower income information available, and the data shown only includes one-to-four family and manufactured housing loans.

Geographic Distribution of Loans

Perpetual's geographic distribution of loans within the Champaign County AA reflects excellent dispersion. Geographic distribution when compared to the level of loans made by AA lenders and to the level of owner occupied housing in the moderate-income CTs is excellent. Perpetual was able to originate a significant volume of purchase and refinance loans in the moderate-income CTs compared to other lenders in the AA. Refer to Table 3 for more details on the geographic distribution of home loans in the AA.

Table 3 Geographic Distribution of Residential Real Estate Loans in the Champaign County AA					
Census Tract Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of AA Owner Occupied Housing
Loan Type	Purchases	Refinances	Purchases	Refinances	
Moderate	32.76	30.23	22.01	15.92	17.50
Middle	15.52	14.73	26.28	21.92	25.07
Upper	51.72	55.04	51.71	62.16	57.43

Source: HMDA Loan Data from January 1, 2014 through December 31, 2016; 2010 U.S. Census Data.

Responses to Complaints

Perpetual has not received any complaints about its performance in helping to meet the AA's credit needs during the lending evaluation period.

COMMUNITY DEVELOPMENT TEST

Perpetual's performance under the Community Development Test is "Satisfactory." The thrift demonstrates adequate responsiveness to CD needs in the Champaign County AA through CD lending, qualified investments, and CD services.

Number and Amount of Community Development Loans

The thrift originated two qualifying loans totaling over \$1.8 million during the CD evaluation period. The two loans originated by the thrift are listed below.

- The thrift originated a \$1.8 million construction loan to add additional units to a local nursing home. The nursing home provides services to low- and moderate-income individuals.
- The thrift originated a \$17,484 loan to a church that was used to assist low- and moderate-income individuals.

Number and Amount of Qualified Investments

Qualified investment donations consist of donations to various non-profit organizations in the community. During the CD evaluation period, Perpetual made 23 donations to 10 different organizations in the AA totaling \$8,800. Examples of the donations are listed below.

- Perpetual donated over \$3,000 to United Way during the CD evaluation period. United Way provides scholarship opportunities for low- and moderate-income students.
- The thrift donated funds to multiple organizations that provide meals to low- and moderate- income individuals. These organizations included Federation of Churches, Second Harvest, and The Magic School Bus. Specifically, the thrift donated \$500 to The Magic School Bus, which provides lunches to low- and moderate-income children during the summer months.

Extent to Which the Bank Provides Community Development Services

Thrift personnel provide financial expertise throughout the Champaign County AA. During the CD evaluation period, at least five bank employees provided CD qualifying services to six different organizations. These organizations provide services to low- and moderate-income individuals as well as services to organizations dedicated to promoting affordable housing. Examples of these CD services include the following:

- Habitat for Humanity – Habitat for Humanity builds affordable housing for low-income individuals. Compliance Officer Eric Warrick serves as the Treasurer.
- YMCA of Champaign County – This organization provides scholarships for low- and moderate-income students. Senior Vice President Christine Phelps serves as a Board member.

- Urbana Rotary Manor – This organization provides affordable housing to low- and moderate-income individuals. President and Chief Executive Officer Michael Melvin serves as a Board member.

Responsiveness to Community Development Needs

Perpetual demonstrates adequate responsiveness to the CD needs of the communities it serves through CD lending, investments, and services.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 01/01/2014 to 12/31/2016 Investment and Service Tests and CD Loans: 05/05/2014 to 07/17/2017	
Financial Institution	Products Reviewed	
Perpetual FSB Urbana, Ohio 43078	Residential Real Estate Loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Champaign County Non-MSA	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Champaign County Assessment Area – Non-MSA

Demographic Information for Full-Scope Area: Champaign County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	10	N/A	20.00%	20.00%	60.00%	0.00%
Population by Geography	40,097	N/A	20.50%	26.37%	53.13%	0.00%
Owner-Occupied Housing by Geography	11,413	N/A	17.50%	25.07%	57.43%	0.00%
Businesses by Geography	1,714	N/A	27.30%	21.88%	50.82%	0.00%
Farms by Geography	248	N/A	6.45%	28.23%	65.32%	0.00%
Family Distribution by Income Level	10,887	16.08%	16.31%	22.04%	45.57%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,527	0.00%	32.92%	26.28%	40.80%	0.00%
Median Family Income (MFI) FFIEC MFI – 2010 U.S. Census = \$52,573 FFIEC MFI for 2016 = \$55,400 Households Below the Poverty Level = 12.16%		Median Housing Value Unemployment Rate, June 2017 (Champaign County) = \$125,745 = 4.4%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census; 2016 FFIEC updated MFI.

Perpetual's AA consists of Champaign County, Ohio, in its entirety. The Champaign County AA meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas. The thrift has one office located in Urbana, Ohio.

Champaign County's economy includes a mixture of service, retail, construction, and agricultural businesses. Major employers include Community Mercy Health Partners, Urbana University, Honeywell International Inc., Rittal Corporation, and the local school systems. The local economic conditions are stable, with unemployment for Champaign County lower than the State of Ohio (5.4 percent) and national (4.5 percent) rates, according to the Bureau of Labor Market Information as of June 2017 (not seasonally adjusted rates).

Community contacts indicated that there continues to be a need for affordable housing in the AA and they expect that need to continue to grow. There is also a growing demand for utility assistance and food. According to the contacts, local financial institutions are adequately meeting the credit and CD needs of the community.