



PUBLIC DISCLOSURE

July 1, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peru Federal Savings Bank
Charter Number: 703367

1730 4th St
Peru, IL 61354-3323

Office of the Comptroller of the Currency

211 Fulton Street
Suite 604
Peoria, IL 61602

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

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

- Peru Federal Savings Bank's (PFSB) distribution of loans to families of different income levels is satisfactory given the bank's product offerings and economic conditions in its assessment area (AA).
- A majority of the loans originated by PFSB are to customers from within its AA.
- PFSB's quarterly average loan-to-deposit ratio of sixty-three percent over the evaluation period is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs, including moderate-income census tracts (CT).

SCOPE OF EXAMINATION

This performance evaluation assesses Peru Federal Savings Bank's record of meeting the credit needs of the communities in which it operates. We evaluated PFSB under the Small Savings Association performance criterion, which is comprised of a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities.

- The evaluation period for this examination is September 23, 2008, through July 1, 2013.
- PFSB has one AA generating a majority of the bank's loans and deposits. We conducted a full scope review of the bank's AA.
- We performed the lending test based on PFSB's primary loan product: residential real estate loans. We evaluated loans originated from January 1, 2011, through June 1, 2013, under the lending test.
- We based our conclusions regarding the bank's lending performance on residential mortgage loans originated from January 1, 2011, through December 31, 2011, utilizing 2000 census data. We used loans originated from January 1, 2012, through June 1, 2013, utilizing 2010 census data.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act, so the bank does not maintain income data on residential real estate borrowers outside of the individual loan files. Consequently, we evaluated the bank's residential real estate performance by selecting a sample of home loans made during the lending test period.

DESCRIPTION OF INSTITUTION

Peru Federal Savings Bank is a mutual savings association headquartered in Peru, Illinois. Peru is located in north central Illinois. As of March 31, 2013, PFSB reported total assets of \$143 million. The bank owns PFSB Financial Services and PFSB Financial Services Inc., which provide real estate investment activities financial services and keeps loans. PFSB's subsidiaries do not negatively impact their ability to meet the credit needs of the community.

There are no legal, financial, or other factors impeding PFSB's ability to help meet the credit needs in the bank's assessment areas. There has been no change in the bank's corporate structure since the previous CRA evaluation. The bank's last CRA rating, which was as a Small Savings Association, was "Satisfactory Record of Meeting Community Credit Needs" as detailed in the Performance Evaluation dated September 22, 2008.

PFSB is an intrastate financial institution with two offices serving Bureau and LaSalle counties in the State of Illinois. PFSB operates two cash dispensing automated teller machines (ATMs) located in the AA. These ATMs also accept deposits. Both of the bank's offices are full-service facilities and offer a full range of consumer banking products. PFSB did not open or close any branch offices since the previous CRA examination. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

PFSB's primary focus is to provide loans and retail services to its customers throughout the AA. PFSB's primary lending product is residential real estate loans. This lending category accounts for seventy-nine percent of all loan originations during the evaluation period and comprised seventy-two percent of the outstanding loan balance as of March 31, 2013. Thus, we used this loan product for the analysis in this evaluation. Consumer and commercial loans are not primary loan products, accounting for twenty-one percent of all originations during the evaluation period.

The table below illustrates the composition of loan originations made from January 1, 2011 through June 1, 2013.

Table 1 – Loan Originations by Loan Type from January 1, 2011 through June 1, 2013		
Loan Category	\$ (000)	%
Residential Loans	\$ 51,791	79%
Commercial Loans	\$ 7,053	11%
Consumer Loans	\$ 6,960	10%
Total Originations	\$ 65,804	100%

Source: Bank records from January 1, 2011, through June 1, 2013

As of March 31, 2013, the bank reported \$67.5 million in outstanding loans representing forty-seven percent of total assets. They reported Tier One Capital at \$15.6 million. The loan portfolio consists of:

Table 2 – Loan Portfolio Summary by Loan Type March 31, 2013		
Loan Category	\$(000)	%
Residential Loans	\$ 48,329	72%
Commercial Loans	\$ 15,047	22%
Consumer Loans	\$ 4,143	6%
Total Loans	\$ 67,519	100%

Source: March 31, 2013 Call Report

DESCRIPTION OF ASSESSMENT AREA

PFSB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. PFSB has one AA covering ten census tracts (CT). It includes CT 9621, 9622, 9629, 9630, 9631, 9632, 9633, and 9634 in LaSalle County and CT 9651 and 9652 in Bureau County. One CT is designated moderate-income while the remaining CTs are middle- and upper-income. There are no low-income tracts. The AA is not located in an MSA.

Competition within the AA is sizable from other financial institutions that serve some of the same communities and have a similar business focus. According to the FDIC's Deposit Market Share Report dated June 30, 2012, PFSB ranks third in the LaSalle-Peru area with a 16 percent deposit market share.

The following tables illustrate demographic information for the assessment area based on the 2000 U.S. Census and 2010 U.S. Census.

Table 3 - Demographic Information for the AA 2000 U.S. Census					
Demographic Characteristics	#	Low % of #	Mod % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	10	0%	10%	60%	30%
Population by Geography	38,147	0%	7%	58%	35%
Owner-Occupied Housing by Geography	11,629	0%	4%	61%	35%
Businesses by Geography	3,382	0%	10%	51%	39%
Farms by Geography	184	0%	3%	46%	51%
Family Distribution by Census Tract	10,296	0%	6%	59%	35%

Family Distribution by Income Level	10,296	16%	17%	21%	46%
Median Family Income	\$48,905	Median Housing Value			\$82,023
Median Household Income	\$38,293	Median Year Built			1950
2011 HUD Adjusted Median Family Income for the AA	\$56,600	Average Monthly Gross Rent			\$453
Households Below the Poverty Level	8%				

Source: 2000 U.S. Census Data

Table 4 - Demographic Information for the AA 2010 U.S. Census					
Demographic Characteristics	#	Low % of #	Mod % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	10	0%	0%	80%	20%
Population by Geography	38,973	0%	0%	79%	21%
Owner-Occupied Housing by Geography	12,147	0%	0%	77%	23%
Businesses by Geography	3,220	0%	0%	77%	23%
Farms by Geography	174	0%	0%	62%	38%
Family Distribution by Census Tract	10,596	0%	0%	78%	22%
Family Distribution by Income Level	10,596	15%	16%	24%	45%
Median Family Income	\$61,222	Median Housing Value			\$118,394
Median Household Income	\$49,185	Median Year Built			1954
2012 HUD Adjusted Median Family Income for the AA	\$57,400	Average Monthly Gross Rent			\$612
Households Below the Poverty Level	12%				

Source: 2010 U.S. Census Data

Economic Data

The local economy is relatively stable. Both Bureau and LaSalle Counties compare unfavorably to the national unemployment rate for May 2013. Bureau County compares favorably but LaSalle County compares unfavorably to the State of Illinois unemployment rate. The May 2013 unemployment rates for each area are: 7.9 percent Bureau County, 9.7 percent LaSalle County, 8.7 percent State of Illinois, and 7.3 percent national average rate.

The economy of the AA is concentrated in the retail, healthcare, education, distribution, and manufacturing sectors. Major employers include: WalMart, local hospital and health care facilities, the Peru Mall, local school districts, Illinois Valley Community College, and city and county governmental units.

We made one community contact from the bank’s AA during the evaluation. The contact indicated the primary credit need in the AA is business loans. The contact indicated there are no credit needs or banking services not met or provided for by the local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

PFSB meets the standards for satisfactory performance. The bank has reasonable penetration among borrowers of different income levels. The geographic distribution of loans reflects reasonable dispersion throughout the AAs, including moderate-income census tracts. The bank originates a majority of their loans within their AA, and their loan-to-deposit ratio is satisfactory.

Loan-to-Deposit Ratio

PFSB’s average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA’s credit needs. PFSB’s quarterly average loan-to-deposit ratio for the period July 1, 2008, to March 31, 2013, was sixty-three percent. The quarterly average loan-to-deposit ratios for other similarly situated financial institutions over the same time period ranged from thirty-nine percent to ninety-three percent. The similarly situated banks utilized for comparison purposes are community banks located within the AA counties. The similarly situated banks range in asset size from \$46 million to \$911 million.

Lending in Assessment Area

The distribution of loans reflects reasonable penetration in the AA. A majority of the loans originated by PFSB are to customers inside its AA. The following table details the bank’s lending within its AA based on the number of loan originations and dollar volume during the evaluation period.

Table 5 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential	56	82%	12	18%	68	\$5,010	83%	\$1,054	17%	\$6,064

Source: Sample of 68 residential real estate loans originated from January 1, 2011, to June 1, 2013.

Lending to Borrowers of Different Incomes

The distribution of loans reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels, including low- and moderate-

income borrowers. PFSB's lending to moderate-income borrowers shows reasonable penetration in the AA and is comparable to the percentage of moderate-income families in the AA. Although lending to low-income borrowers is below the percentage of low-income families in the AA, this is reasonable given the percentage of families in the AA below the poverty level.

Table 6 – Borrower Distribution of Residential Real Estate Loans for 2011								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential	16%	13%	17%	21%	21%	33%	46%	33%

Source: Sample of 24 residential real estate loans originated from January 1, 2011, to December 30, 2011; 2000 Census Data

Table 7 – Borrower Distribution of Residential Real Estate Loans for 2012 and 2013								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential	15%	4%	16%	14%	24%	25%	45%	57%

Source: Sample of 28 residential real estate loans originated from January 1, 2012, to June 1, 2013; 2010 Census Data

As indicated below, the percent of mortgage loans granted to low-income borrowers was below the number of low-income families, but exceeded the peer lenders in the AA on a numbers basis. The institution's level of mortgage lending to moderate-income borrowers was above the percentage of moderate-income families residing within the AA. PFSB's lending to low- and moderate-income borrowers was higher than HMDA-regulated financial institutions in the AA. Peer HMDA data was not available for 2012 and 2013 comparison.

Table 8 – Borrower Distribution – HMDA Lending 2011						
Income Category	Percent Families by Income Category	Peer Data Lending % 2011	Peru Federal			
			Number of Loans	Percent of Loans	\$ Amt (000s)	Percent of \$ Amount
Low	16%	7%	3	13%	176	9%
Moderate	17%	20%	5	21%	220	11%
Subtotal: Low- and Moderate	33%	27%	8	34%	396	20%
Middle	21%	22%	8	33%	438	21%
Upper	46%	38%	8	33%	1,199	59%
Total	100%	100%*	24	100%	\$2,033	100%

* Income not available for 13% of the borrowers

Geographic Distribution of Loans

PFSB’s geographic distribution of residential lending reflects a reasonable dispersion in CTs of different income levels, including moderate-income CTs for 2011. There are no low-income CTs within the AA.

Based on the sample of residential loans originated during 2011 in the AA, the percentage of residential loans originated in the moderate-income geographies exceeds the percentage of owner-occupied housing located in the moderate-income geographies of the AA.

Table 9 – Geographic Distribution of Residential Real Estate Loans for 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number
Residential	0%	0%	4%	8%	61%	63%	35%	29%

Source: Sample of 24 residential real estate loans originated from January 1, 2011, to December 30, 2011; 2000 Census Data

As indicated below, the institution’s overall record of lending in the moderate-income CTs was above the area’s demographics and other lenders in the AA. Performance under this criterion meets the standards for satisfactory performance.

Table 10 –Geographic Distribution – HMDA Lending 2011						
Income Category	Distribution of OOHU's	Peer Data Lending % 2011	Peru Federal			
			Number of Loans	Percent of Loans	\$ Amt (000s)	Percent of \$ Amount
Moderate	4%	2%	2	8%	84	4%
Middle	61%	60%	15	63%	1,007	50%
Upper	35%	38%	7	29%	942	46%
Total	100%	100%	24	100%	\$2,033	100%

We did not perform a geographic distribution of loans analysis for 2012 and 2013 at this examination. Since all of the geographies are middle- or upper-income, the analysis would not be meaningful.

Responses to Complaints

PFSB received no complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.