



PUBLIC DISCLOSURE

March 27, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peru Federal Savings Bank
Charter Number 703367

1730 4th Street
Peru, Illinois 61354

Office of the Comptroller of the Currency

211 Fulton Street, Suite 604
Peoria, Illinois 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, 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

Institution’s CRA Rating: This institution is rated **Satisfactory**

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The Lending Test rating is based on satisfactory performance in the state of Illinois.
- The bank originates a majority of its loans within its assessment area (AA).
- The loan-to-deposit (LTD) ratio is reasonable.

Loan-to-Deposit Ratio

Considering the bank’s size, financial condition, and credit needs of the AA, the bank’s LTD ratio is reasonable.

The bank had a quarterly average LTD ratio of 55.4 percent over the sixteen quarter period from January 1, 2019 to December 31, 2022. The bank had a quarterly low of 51.1 percent and a quarterly high of 59.9 percent. The bank ranked eleventh out of fourteen similarly sized and located institutions serving its AA. Comparable institutions reviewed ranged in size from \$44.7 million to \$403.0 million and reported quarterly average LTDs from 26.1 percent to 103.7 percent.

Lending in Assessment Area

A majority of the bank’s loans are inside its AA.

The bank originated and purchased 75 percent of its total loans inside the bank’s AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	15	75.0	5	25.0	20	1,673	70.3	705	29.7	2,378

Source: Sample of home mortgage loans originated from 1/1/2019 to 12/31/2021.

Description of Institution

Peru Federal Savings Bank (bank or PFSB) is an intrastate institution headquartered in Peru, Illinois with total assets of \$174.0 million as of December 31, 2022. The bank is a mutual federal savings association and does not have a holding company. The bank wholly owns PFSB Financial Services, Inc., a subsidiary that sells retail non-deposit investment products and services including stocks, bonds,

mutual funds, annuities, individual retirement accounts, and life insurance. PFSB Financial Services, Inc.'s operations do not negatively impact the bank's ability to meet the credit needs of the community.

The bank has one rating area in the state of Illinois. The bank has one legal AA, a Non-MSA AA (Non-MSA), consisting of the eastern portion of Bureau County and the west-central portion of LaSalle County. The bank has two offices located within the AA in Peru, Illinois. Both offices are full-service, offering lending services. Loan officers are located at the main branch but do have the ability to meet with customers at the second branch. Both locations have an ATM. There were no branch closings or openings since the previous CRA evaluation.

There have been no changes to the bank's strategy since the last CRA evaluation. PFSB's strategy is to provide financial products that meet the credit needs of its assessment area based on the results of assessing community needs to all areas within the assessment area, including low and moderate income areas. The bank offers a range of deposit and loan products and services, with lending services available at the 4th street location. Internet and mobile banking are also available to the bank's customers.

The bank reported net loans and leases of \$84.9 million, which are 49.1 percent of total assets at December 31, 2022. The bank reported tier 1 capital of \$23.9 million. Residential real estate loans represent the largest portfolio at \$61.6 million (72.1 percent), followed by commercial loans at \$18.7 million (10.7 percent), consumer loans at \$3.5 million (2.0 percent), and agricultural loans at \$1.6 million (0.9 percent).

There are no financial, legal, or other factors impeding PFSB's ability to help meet the credit needs of the bank's AA.

The bank's previous CRA rating was Satisfactory, which the OCC determined using the Small Bank evaluation procedures detailed in the PE dated December 3, 2018.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period is from the previous CRA evaluation of December 3, 2018 through March 27, 2023. We assessed the bank under the Small Bank evaluation procedures, which includes a Lending Test.

The Lending Test evaluated loans originated or purchased between January 1, 2019, and December 31, 2021, and were compared to the 2015 American Community Survey Census Data. Due to timing, peer aggregate lending data for 2022 was not available at the time of this report. Thus, loans originated during the 2022 calendar year are not included as the analysis would not be meaningful without 2022 peer aggregate lending data. Lending Test performance is based on a sample of loans originated or purchased, not full population data. Performance is considered in context.

The primary loan product for the evaluation was determined to be residential real estate loans due to the number and dollar amount of loans originated and purchased between January 1, 2019 and December 31, 2021.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA Aas within the same state are combined and evaluated as a single area. These combined Aas may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope Aas were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope Aas.

Ratings

The bank’s overall rating is based on the State of Illinois rating.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 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 AA 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 Bureau of Consumer Financial Protection, 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.

State Rating

State of Illinois

CRA rating for the State of Illinois¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The borrower distribution of loans reflects reasonable performance.

Description of Institution's Operations in Illinois

In the Illinois rating area, the bank has one legal AA. The Non-MSA AA has two branches and two ATMs. Both branches are full-service with loan officers available to be onsite to provide lending products. PFSB's lending strategy is focused on home mortgage lending. Both branches offer lobby and drive-up services and also offer banking services on Saturdays.

Competition for deposits and home mortgage lending is moderate. PFSB competes with local and regional lenders for home mortgage loans, with competing institutions including state and national banks, as well as credit unions.

The bank holds \$158.9 million in deposits in the Non-MSA and ranks eleventh, holding 3.4 percent market share, out of 28 institutions competing for the area's \$4.7 billion in deposits. The top five institutions in the AA hold a 50.8 percent market share.

The annual unemployment rates for 2019 in Bureau and LaSalle were 4.5 percent and 5.1 percent, compared to 4.1 percent for the state of Illinois. In 2020, during the Covid-19 pandemic, unemployment rates increased to 7.7 percent and 9.6 percent for the two counties, compared to 9.3 percent for the state of Illinois. In 2021, unemployment fell to 5.0 percent and 6.0 percent for the two counties compared to 6.1 percent for the state of Illinois.

The Non-MSA has no low-income census tracts (CT) and one moderate-income CT. The moderate-income CT is located in the southern portion of the city of LaSalle and home mortgage lending is limited in the area. Most of the CT is undeveloped forested area and the northern portion of the CT is part of the main city and mostly commercial. Owner-occupied housing is also limited in the CT, which may limit opportunities for home mortgage lending.

The top five employment industries within the AA are health care and social assistance, manufacturing, retail trade, education, and transportation/warehousing according to the Illinois Department of Commerce & Economic Opportunity data. Leading employers include the Wal-Mart Distribution Center, Constellation Energy, Illinois Valley Community College, and Petsmart Distribution.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

We reviewed two community contact interviews that were performed prior to the Covid-19 pandemic. The interviews were with a local farm business management group and small business development center. The contacts note challenges presented with increasing costs and noted needs for small and micro loans and support for startup businesses. The contacts have any adverse perceptions of local area institutions.

Non-MSA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	10.0	80.0	10.0	0.0
Population by Geography	37,902	0.0	6.8	80.5	12.7	0.0
Housing Units by Geography	17,996	0.0	7.3	80.7	12.0	0.0
Owner-Occupied Units by Geography	11,605	0.0	3.7	82.6	13.8	0.0
Occupied Rental Units by Geography	4,373	0.0	15.1	77.7	7.2	0.0
Vacant Units by Geography	2,018	0.0	11.5	76.0	12.5	0.0
Businesses by Geography	2,856	0.0	10.6	72.0	17.4	0.0
Farms by Geography	135	0.0	3.0	68.1	28.9	0.0
Family Distribution by Income Level	9,929	17.8	16.4	21.6	44.2	0.0
Household Distribution by Income Level	15,978	22.9	16.2	17.2	43.6	0.0
Median Family Income Non-MSAs - IL		\$59,323	Median Housing Value			\$113,608
			Median Gross Rent			\$680
			Families Below Poverty Level			8.9%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Illinois

The Non-MSA received a full-scope review. Refer to Appendix A for more information. Greater weight was given to the borrower distribution than geographic distribution due to the limited opportunities for owner-occupied housing in the one moderate-income CT in the AA.

LENDING TEST

The bank's performance under the Lending Test in Illinois is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Non-MSA is adequate.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State.

Home Mortgage Loans

Refer to Table O in the state of Illinois section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans reflects very poor distribution.

The proportion of lending in moderate-income CTs was substantially less than both the percent of owner-occupied housing units and the aggregate distribution. There were no low-income CTs.

Opportunities for lending are limited in the one moderate-income CT, which contains 3.7 percent of the AA's owner-occupied housing, representing 162 units, per demographic data. Additionally, the moderate-income CT suffers from a high level of families living in poverty at 20.9 percent.

Lending Gap Analysis

We did not identify any unexplained, conspicuous gaps in lending.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the state of Illinois section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans reflects a reasonable distribution.

The proportion of lending to low-income families is less than both the percentage of low-income families and the aggregate distribution. The proportion of lending to moderate-income families exceeds the percentage of moderate-income families and is near to the aggregate.

Responses to Complaints

The bank did not receive any complaints about its performance in helping to meet the credit needs of its AA during the evaluation period.

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 MSAs and non-MSAs 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: January 1, 2019 to December 31, 2021	
Bank Products Reviewed:	Home mortgage loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Illinois		
Non-MSA	Full-scope	Portions of Bureau and LaSalle counties

Appendix B: Summary of MMSA and State Ratings

RATINGS	Peru Federal Savings Bank
Overall Bank:	Lending Test Rating
Peru Federal Savings Bank	Satisfactory
MMSA or State:	
Illinois	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

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

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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) 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2019-21	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Non-MSA AA	30	3,889	100	781	0.0	0.0	0.0	3.7	0.0	2.4	82.6	90.0	77.0	13.8	10.0	20.6	0.0	0.0	0.0	
Total	30	3,889	100	781	0.0	0.0	0.0	3.7	0.0	2.4	82.6	90.0	77.0	13.8	10.0	20.6	0.0	0.0	0.0	

Source: 2015 ACS; 01/01/2019 - 12/13/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2019-21	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Non-MSA AA	30	3,889	100	781	17.8	3.3	9.2	16.4	16.7	18.6	21.6	23.3	26.1	44.2	56.7	32.7	0.0	0.0	13.4	
Total	30	3,889	100	781	17.8	3.3	9.2	16.4	16.7	18.6	21.6	23.3	26.1	44.2	56.7	32.7	0.0	0.0	13.4	

Source: 2015 ACS; 01/01/2019 - 12/13/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.