



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 11, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples FSB of Dekalb County
Charter Number 704091

212 W. 7th Street
Auburn, IN 46706-1723

Office of the Comptroller of the Currency

Indianapolis Field Office 8777
Purdue Road, Suite 105
Indianapolis, IN 46268

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

INSTITUTION'S CRA RATING:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Satisfactory

Peoples FSB of DeKalb County (Peoples or institution) continues to meet the credit needs of its community. Factors supporting the Satisfactory rating include:

- Reasonable loan-to-deposit (LTD) ratio;
- Substantial majority of primary product loans inside the assessment areas;
- Reasonable borrower distribution levels near or above peer levels;
- Adequate community development activities considering the bank's performance context; and,
- No written complaints regarding the bank's CRA performance received during the review period.

SCOPE OF EXAMINATION

Examiners utilized the Intermediate Small Bank (ISB) examination procedures to evaluate the bank's record of meeting the credit needs of its community. ISB procedures include a Lending Test and a separate Community Development Test. The review period for the Lending Test is January 1, 2010 through December 31, 2011 (2012 lending data is not included in this review due to the 2010 Census and its impact on data comparability). The Community Development Test will consider all activities during the official review period; October 5, 2009 through February 11, 2013. This is the period since the last CRA examination to the beginning of this examination.

LENDING TEST

Under the Lending Test, we evaluate an ISB's record of helping to meet the credit needs of its assessment area pursuant to the following criteria:

- Loan-to-deposit ratio, while considering internal and external factors
- Percentage of primary product loans originated within the bank's assessment areas
- Lending to borrowers of different income levels; primarily low- and moderate-income individuals
- Lending in low- and moderate-income geographies in the assessment areas as applicable
- The bank's record of taking action to written complaints regarding its performance in helping to meet credit needs of its assessment area.

The Lending Test focused on the bank's primary lending product, residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA). As previously stated, the review period for these loans is the whole calendar years 2010 and 2011. We conducted our lending analysis by comparing the bank's combined 2010 and 2011 lending data to the 2011 HMDA

aggregate data (peer). This peer data is compiled from financial institutions that reported HMDA lending activity within each respective assessment area.

Examiners requested lending data for small farms and small businesses to review under the Community Development Test. To receive credit, a small business loan must have an original amount of \$1 million or less to a business with gross revenues of \$1 million or less. Likewise, a small farm loan must be an agricultural loan with an original amount of \$500 thousand or less.

The loan-to-deposit ratio and the percentage of lending within the assessment areas were analyzed for the institution in its entirety. Lending distributions were analyzed separately for each state in which the institution has branches (Indiana and Michigan).

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates an ISB's performance based on its responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services. The adequacy of a bank’s responsiveness depends on its capacity for community development activities, its assessment areas’ needs, and the availability of community development opportunities in its assessment areas. We evaluated the bank’s community development activities during our full scope review of three assessment areas. The bank’s overall performance under the Community Development Test is adequate.

DESCRIPTIONS OF INSTITUTIONS

Peoples FSB is a federally chartered stock institution operating 15 branches and a loan production office in Indiana and Michigan. The bank is headquartered in Auburn, IN and is wholly owned by Peoples Bancorp, a unitary, non-diversified savings and loan holding company. As of December 31, 2012, the institution reported total assets of \$484.4 million.

The bank’s primary business is originating residential mortgage loans secured by one-to-four family dwellings. Loans secured by residential properties are normally limited to 80 percent loan-to-value (portfolio), although ratios up to 95 percent are offered with private mortgage insurance. Peoples FSB also originates loans for secondary residences, construction, small businesses, and small farms. In addition, the institution offers traditional deposit products along with trust services. Insurance products are offered through a subsidiary. Table 1 below summarizes the loan portfolio as of December 31, 2012.

Table 1 - Investment in Loans			
Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$194,300	89.3	40.1
Nonresidential Mortgage	10,328	4.8	2.1
Commercial Nonmortgage	9,810	4.5	2.0
Consumer	3,108	1.4	0.6
Total	\$217,546	100.0	44.8

No legal impediments or other factors hindered the institution's CRA performance. Peoples FSB received an overall CRA rating of Satisfactory in its last, (October 5, 2009) public evaluation.

DESCRIPTION OF ASSESSMENT AREA

Peoples FSB has a total of six assessment areas; three assessment areas in each state. The Indiana assessment areas include the contiguous, non-metropolitan counties of Indiana where the bank has full service branches (DeKalb, Noble, and Lagrange Counties); also, the Fort Wayne MSA (Whitley County), and four census tracts in Elkhart County that surround a branch in the town of Middlebury. Elkhart County constitutes the entire Elkhart-Goshen, IN MSA.

The Michigan assessment areas are: St. Joseph County, six census tracts in Cass County, and five census tracts in Kalamazoo County. St Joseph County is in the non-metropolitan portion of Michigan. Cass County is the Michigan portion of the South Bend–Mishawaka, Indiana–Michigan MSA. Kalamazoo County is one of two counties in the Kalamazoo–Portage, Michigan MSA. The last two assessment areas surround single, smaller branch locations in the respective communities of Union and Schoolcraft.

All of the assessment areas are legal and contiguous. Examiners conducted full scope reviews on the Indiana Non-MSA, the Fort Wayne, IN MSA, and the Michigan Non-MSA assessment areas. The two Indiana full scope areas contain 10 of the bank's 15 branches and over 75 percent of the residential lending within all six assessment areas; we gave greater consideration to performance in these areas when determining the bank's overall rating.

Examiners contacted a local non-profit organization who assists low- and moderate-income borrowers through the home purchase process. The contact indicated area banks are generally meeting the needs of the community; however, there is a need for flexible loan products and capital investments, enabling families to return to homeownership and stay out of rentals.

CONCLUSIONS WITH RESPECT TO LENDING TEST

LOAN-TO-DEPOSIT RATIO

Peoples has a reasonable loan-to-deposit (LTD) ratio. This ratio is considered in light of the bank's performance context including, the association's lending capacity, the lending capacity of similarly-situated institutions, the demographic and economic factors present within the assessment area, and the assessment area's lending opportunities.

Peoples FSB's quarterly LTD ratio averaged 61.8 percent during the previous eight quarters ended December 31, 2012. The individual ratios fluctuated between a high of 64.1 percent on June 30, 2011, to a low of 57.6 percent on December 31, 2012. The bank's average figure was below the average LTD ratio of 82.9 percent during the same period for institutions in the ISB asset range as of December 31, 2012. This lower ratio is due in part to the bank's loan sales. Financial reporting data indicated Peoples FSB sold \$27.2 million of \$61.9 million (43.9 percent) in 1-4 family mortgage loans originated during the eight quarters ended December 31, 2012.

These sales represented approximately 7.5 percent of average deposits during this period. Performance under this criterion meets the standards for satisfactory performance.

ASSESSMENT AREA CONCENTRATION

Peoples FSB originated a substantial majority of HMDA loans (472 out of 537, or 88.5 percent) inside the combined assessment areas during the review period. This substantial majority exceeds the standards for satisfactory performance. The following table shows the distribution of HMDA lending by assessment area.

Table 2 - Distribution of HMDA-Reportable Loans by Assessment Area		
Assessment Area	Number of Loans	Percent of Assessment Area Loans
Indiana Non-MSA	295	62.5
Fort Wayne, IN MSA	61	12.9
Elkhart-Goshen IN MSA	21	4.5
Michigan Non-MSA	54	11.4
South Bend–Mishawaka, Indiana–MI MSA	26	5.5
Kalamazoo–Portage, MI MSA	15	3.2
Total	472	100.0

The above chart also reveals that 79.9 percent of lending activity occurs within Indiana while the remaining 20.1 percent is in Michigan. This division is reasonable considering deposit base; as of December 31, 2012, the 11 Indiana branches represent 82.7 percent of deposits and the four Michigan branches hold 17.3 percent.

BORROWER INCOME

Peoples FSB’s overall performance under this factor was reasonable. Most of the HMDA-reportable loans originated during the review period were located in Indiana. Therefore, performance in Indiana carried more weight than the performance in Michigan. The institution’s coverage of low- and moderate-income borrowers in Indiana was reasonable. For Michigan, performance for this segment was strong relative to the HMDA aggregate data.

GEOGRAPHIC DISTRIBUTION

Performance under this factor was acceptable in the one assessment area reviewed. See the review for the State of Michigan for further details. The vast majority of census tracts in the institution’s assessment areas are designated as middle- or upper-income and were therefore not reviewed. Geographic distribution did not carry substantial weight in determining the bank’s overall rating.

RESPONSE TO COMMUNITY COMPLAINTS

No complaints regarding the bank's performance in meeting the credit needs of the assessment area were received since the last evaluation.

CONCLUSIONS WITH RESPECT TO COMMUNITY DEVELOPMENT TEST

The bank's level of community development for Indiana and Michigan is adequate. The activities occurring in Indiana generally carry more weight since the bank's operations are mostly in the Indiana assessment areas. See the individual state reviews for information detailing community development activities.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal Savings Association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the 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.

STATE RATING FOR INDIANA IS SATISFACTORY

CRA RATING:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Satisfactory

See Conclusions below for details supporting the state ratings for Indiana.

SCOPE OF EXAMINATION

Full scope reviews were conducted on two of the three assessment areas in Indiana. The two assessment areas fully reviewed were the Indiana non-metropolitan area and the Fort Wayne, Indiana MSA. Together, these two assessment areas contain 10 of the bank's 11 Indiana branches and represent nearly 95 percent of HMDA lending in the Indiana assessment areas. Lending activity in the institution's other Indiana assessment area (single branch in the Elkhart-Goshen, IN MSA) was limited and did not materially impact overall conclusions. Each full scope review also included an analysis of community development activities occurring within the assessment area.

DESCRIPTION OF INSTITUTION'S OPERATION IN INDIANA

As mentioned previously, Peoples FSB has three assessment areas in Indiana. These consist of three non-metropolitan counties, one county in the Fort Wayne MSA, and four census tracts in the Elkhart MSA. The institution operates its main office and seven branches in the non-metropolitan assessment area, two branches in the Fort Wayne assessment area, and one branch in the Elkhart assessment area. In 2009, the bank opened a loan production office in Allen County (part of the Fort Wayne MSA). This office is not a full service branch and therefore does not affect the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA

BORROWER INCOME

The bank's coverage of low- and moderate-income borrowers in the two Indiana assessment areas reviewed was reasonable. This conclusion is based on comparisons to the 2011 HMDA aggregate data and to relevant demographic ratios.

GEOGRAPHIC DISTRIBUTION

The assessment areas in Indiana contain no low- or moderate-income census tracts. Therefore, we did not conduct a geographic distribution analysis for Indiana.

COMMUNITY DEVELOPMENT ACTIVITIES

The overall level of community development activities in Indiana is adequate. Lending to small farms loans was the primary factor in determining the bank's performance.

CONCLUSIONS IN OTHER INDIANA ASSESSMENT AREA

Peoples FSB’s performance in the other Indiana assessment area (Elkhart-Goshen, IN MSA) was consistent with its overall performance in this state. Activities were commensurate with the institution’s limited presence in this area.

STATE NON-METROPOLITAN AREA & STATE REVIEWED

(if some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)

DESCRIPTION OF NON-METROPOLITAN INDIANA ASSESSMENT AREA

Peoples FSB’s non-metropolitan assessment area for Indiana consists of DeKalb, Noble, and Lagrange counties in the northeast portion of the state. The table below shows the assessment area’s demographic data, which is based on the 2000 census.

Table 3 - Demographic Data of the Assessment Area	
Demographic Data	2000 Census
Population	121,469
Total Families	32,272
1-4 Family Units	44,897
Multi-family Units	2,418
Percent Owner-Occupied Units	72.9
Percent Rental-Occupied Units	18.1
Percent Vacant Housing Units	9.0
Weighted Average Median Housing	\$95,755

The table below shows the distribution of geographies, families, and housing units within the assessment area. As indicated by the table, the assessment area does not contain any low- or moderate-income census tracts.

Table 4 - Distribution of Geographies, Families and Housing Units in the Assessment Area						
Geog Inc Level	Geographies		Total Area Families		Owner Occupied Housing Units	
2000 Census:	#	%	#	%	#	%
Middle	24	96.0	30,463	94.4	32,492	94.2
Upper	1	4.0	1,809	5.6	2,016	5.8
Total	25	100.0	32,272	100.0	34,508	100.0

The U.S. Department of Housing and Urban Development (HUD) adjusts the 2000 census data annually to update the median family income levels. The tables below show the updated HUD median family incomes for each year during the review period and the distribution of families in the assessment area.

Table 5(a) – Adjusted HUD Median Family Incomes	
Year	Amount
2010	\$55,300
2011	\$52,900

Table 5(b) - Distribution of Families in Assessment Area		
Family Income Category (% of Non-MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50)	3,946	12.2
Moderate (50 < 80)	5,967	18.5
Middle (80 < 120)	8,754	27.1
Upper (≥ 120)	13,605	42.2
Total	32,272	100.0

NOTE: The ratio of families with income below the poverty level is 4.9 percent.

As of June 30, 2012, 15 financial institutions, including Peoples FSB, operated 49 branches in the assessment area with deposits totaling nearly \$1.5 billion. Peoples FSB's eight branches in the area represent \$259.8 million, or 17.3 percent of the market share (ranks second of the 15 institutions). The assessment area's unemployment rates in December 2012 were 8.9 percent for DeKalb County, 8.0 percent for LaGrange County and 9.5 percent for Noble County. These are generally higher than the Indiana state rate and national rate of 8.5 and 7.8 percent respectively for the same period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST IN NON-METROPOLITAN

BORROWER INCOME

For this performance factor, examiners compared Peoples FSB's ratios of lending to low- and moderate-income borrowers in this assessment area to the 2011 HMDA aggregate data. In addition, the institution's performance was compared to the distribution of families within the assessment area. The following table presents Peoples FSB's borrower income distribution of residential lending in the assessment area.

Table 6 - Comparison of Residential Mortgage Loans By Borrower Income Level in the Assessment Area			
Income Category	Peoples FSB 01/01/2010 – 12/31/2011		HMDA Aggregate 2011
	#	%	
Low	27	9.6	7.5
Moderate	72	25.5	21.9
Middle	93	33.0	28.5
Upper	90	31.9	42.1
Total ¹	282	100.0	100.0

The bank’s ratios of loans to low-income and to moderate-income borrowers both exceed the HMDA aggregate group. This performance is considered reasonable and reflects good penetration among individuals of different income levels, including low- and moderate-income.

GEOGRAPHIC DISTRIBUTION

This assessment area contains no low- or moderate-income census tracts. Therefore, examiners did not conduct an analysis of the geographic distribution of loans for this area.

COMMUNITY DEVELOPMENT ACTIVITIES

The level of community development activities is adequate. The majority of the institution’s operations are in this assessment area. Therefore, performance in this area carries the most weight.

Peoples FSB’s primary business strategy is to originate single-family residential loans. This strategy, coupled with the Non-MSA demographics (no low- or moderate-income census tracts), limits community development lending opportunities. Examiners requested small business and small farm loans originated during the review period (October 5, 2009 through February 11, 2013). Small business loans were not available for review; however, we did note eight loans to small farms totaling \$15.7 million originated within the assessment area.

The institution participates in an Indiana-based, corporate tax credit fund which directly invests in section 42 affordable housing projects throughout the Midwest. The projects are located throughout Indiana and provide affordable housing for low- and moderate-income individuals. The fund’s balance as of January 31, 2013 was \$438,592.

The institution participates in a loan program sponsored by the Federal Home Loan Bank of Indianapolis (FHLBI) that provides down payment assistance for home purchases. Low- and moderate-income applicants receive up to \$7,500 in FHLBI grant money to assist in purchasing a home. Peoples FSB helped procure five down payment grants of \$7,500 each for loans totaling \$246 thousand in the assessment during the review period.

¹ Nine banks and 46 Aggregate HMDA originations with income reported as N/A were not included in the table or respective percentages.

During the review period, bank staff taught numerous budgeting courses to low- and moderate-income students in the assessment area.

STATE METROPOLITAN AREA & STATE REVIEWED

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

DESCRIPTION OF FORT WAYNE, INDIANA MSA ASSESSMENT AREA

Peoples FSB’s assessment area for the Fort Wayne, Indiana MSA consists of Whitley County in the northeast portion of the state. Whitley County is one of three counties in this MSA. The table below shows the assessment areas demographic data, which is based on the 2000 census.

Table 7 - Demographic Data of the Assessment Area	
Demographic Data	2000 Census
Population	30,707
Total Families	8,716
1-4 Family Units	11,981
Multi-family Units	564
Owner-occupied Housing Units	9,755
Percent Owner-Occupied Units	77.8
Percent Rental-Occupied Units	15.6
Percent Vacant Housing Units	6.7
Weighted Average Median Housing	\$98,309

The assessment area contains seven census tracts that are all classified as middle-income. The U.S. Department of Housing and Urban Development (HUD) adjusts the 2000 census data annually to update the median family income levels. The tables below show the updated HUD median family incomes for each year during the review period for the Fort Wayne, Indiana MSA and the distribution of families in the assessment area.

Table 8(a) – Adjusted HUD Median Family Incomes	
Year	Amount
2010	\$62,200
2011	\$63,000

Table 8(b) - Distribution of Families in Assessment Area		
Family Income Category (% of Non-MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50)	1,305	15.0
Moderate (50 < 80)	1,833	21.0
Middle (80 < 120)	2,408	27.6
Upper (≥ 120)	3,170	36.4
Total	8,716	100.0

NOTE: The ratio of families with income below the poverty level is 3.3 percent.

As of June 30, 2012, eight financial institutions, including Peoples FSB, operated 13 branches in the assessment area with deposits totaling \$439.2 million. Peoples FSB’s two branches in the area represent \$43.6 million, or 9.9 percent of the market share (ranks fourth of the eight institutions). The Whitley County unemployment rate for December 2012 was 8.1 percent. The Indiana state rate and the national rate were 8.5 and 7.8 percent respectively for the same period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FORT WAYNE, INDIANA MSA

BORROWER INCOME

For this performance factor, examiners compared Peoples FSB’s ratios of lending to low- and moderate-income borrowers in this assessment area to the 2011 HMDA aggregate data. In addition, the institution’s performance was compared to the distribution of families within the assessment area. The following table presents Peoples FSB’s borrower income distribution of residential lending in the assessment area.

Table 9 - Comparison of Residential Mortgage Loans By Borrower Income Level in the Assessment Area			
Income Category	Peoples FSB 01/01/2010 – 12/31/2011		HMDA Aggregate 2011
	#	%	
Low	11	18.0	12.0
Moderate	11	18.0	22.0
Middle	23	37.7	31.4
Upper	16	26.3	34.6
Total ²	61	100.0	100.0

Peoples FSB’s ratio of loans to low-income borrowers was above the HMDA aggregate group, while its ratio to moderate-income borrowers was below the HMDA aggregate group. This performance is considered reasonable and reflects good penetration among individuals of different income levels, including low- and moderate-income.

GEOGRAPHIC DISTRIBUTION

This assessment area contains no low- or moderate-income census tracts. Therefore, examiners did not conduct an analysis of the geographic distribution of loans for this area.

COMMUNITY DEVELOPMENT ACTIVITIES

The level of community development activities is marginally adequate considering the institution has only two small offices in the assessment area representing just over 12 percent of the bank’s total deposit base.

² Eighteen Aggregate HMDA originations with income reported as N/A were not included in the table or respective percentage.

As previously mentioned, Peoples FSB's primary business strategy is to originate single-family residential loans; also the Whitley County portion of the Fort Wayne MSA does not contain any low- or moderate-income census tracts. Consequently, community development lending opportunities are limited. Peoples FSB originated at least one \$60 thousand small farm loan in the assessment area during the review period. Small business loans were also originated but were not available for review.

Qualified services and investments were limited and did not materially impact our conclusion.

State Rating for Michigan is Satisfactory

CRA RATING:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Satisfactory

See Conclusions below for details supporting the state ratings for Michigan.

SCOPE OF EXAMINATION

A full scope review was conducted on the non-metropolitan area of Michigan using 2010 and 2011 HMDA lending data. Lending in this assessment area represented 56.8 percent of HMDA lending in Michigan during the review period. Lending activity in the institution’s other two assessment areas in Michigan was limited and did not materially affect overall conclusions. Community development activities in the non-metropolitan assessment area were also reviewed.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MICHIGAN

As mentioned previously, Peoples FSB has three assessment areas in Michigan. These consist of one county in the non-metropolitan area; six census tracts in the Michigan portion of the South Bend–Mishawaka, Indiana–Michigan MSA, and five census tracts in the Kalamazoo–Portage, Michigan MSA. The institution operates two branches in the non-metropolitan assessment area and one branch in each of the two remaining assessment areas.

DESCRIPTION OF NON-METROPOLITAN MICHIGAN ASSESSMENT AREA

Peoples FSB’s non-metropolitan assessment area for Michigan consists of St. Joseph County along the southern border of the state. The table below shows the assessment areas demographic data, which is based on the 2000 census.

<i>Table 10 - Demographic Data of the Assessment Area</i>	
Demographic Data	2000 Census
Population	62,422
Total Families	16,685
1-4 Family Units	24,680
Multi-family Units	1,823
Percent Owner-Occupied Units	67.9
Percent Rental-Occupied Units	20.4
Percent Vacant Housing Units	11.8
Weighted Average Median Housing	\$84,447

The table below shows the distribution of geographies, families, and housing units within the assessment area. As indicated by the table, the assessment area does not contain any low-income census tracts and only two moderate-income tracts.

Table 11 - Distribution of Geographies, Families and Housing Units in the Assessment Area						
Geog Inc Level	Geographies		Total Area Families		Owner Occupied Housing Units	
	#	%	#	%	#	%
2000 Census:						
Moderate	2	12.5	1,030	6.2	1,027	5.7
Middle	12	75.0	13,982	83.8	15,018	83.5
Upper	2	12.5	1,673	10.0	1,940	10.8
Total	16	100.0	16,685	100.0	17,985	100.0

The U.S. Department of Housing and Urban Development (HUD) adjusts the 2000 census data annually to update the median family income levels. The tables below show the updated HUD median family incomes for each year during the review period and the distribution of families in the assessment area.

Table 12(a) – Adjusted HUD Median Family Incomes	
Year	Amount
2010	\$51,800
2011	\$51,400

Table 12(b) - Distribution of Families in Assessment Area		
Family Income Category (% of Non-MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50)	2,716	16.3
Moderate (50 < 80)	2,947	17.6
Middle (80 < 120)	4,167	25.0
Upper (≥ 120)	6,855	41.1
Total	16,685	100.0

NOTE: The ratio of families with income below the poverty level is 8.2 percent.

As of June 30, 2012, 11 financial institutions, including Peoples FSB, operated 32 branches in the assessment area with deposits totaling nearly \$662.3 million. Peoples FSB’s two branches in the area represent \$36.9 million, or 5.6 percent of the market share (ranks seventh of the eleven institutions). The St. Joseph County unemployment rate for December 2012 was 7.6 percent. The Michigan state rate and the national rate were 8.9 and 7.8 percent for the same period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

BORROWER INCOME

For this performance factor, examiners compared Peoples FSB’s ratios of lending to low- and moderate-income borrowers in this assessment area to the 2011 HMDA aggregate data. In addition, the institution’s performance was compared to the distribution of families within the assessment area. The following table presents Peoples FSB’s borrower income distribution of residential lending in the assessment area.

Table 13 - Comparison of Residential Mortgage Loans By Borrower Income Level in the Assessment Area			
Income Category	Peoples FSB 01/01/2010 – 12/31/2011		HMDA Aggregate 2011
	#	%	
Low	3	5.6	10.0
Moderate	16	30.2	20.2
Middle	18	34.0	23.8
Upper	16	30.2	46.0
Total ³	53	100.0	100.0

Considering the overall low volume, Peoples' ratio of loans to low-income borrowers was slightly below the comparative ratio for the HMDA aggregate group. However, the institution's strong performance in lending to moderate-income borrowers was well above the peer levels and is considered excellent. This overall performance reflects strong penetration among individuals of different income levels, particularly moderate-income.

GEOGRAPHIC DISTRIBUTION

For this performance factor, examiners compared the bank's ratio of lending in the assessment area's two moderate-income census tracts to the ratio for the HMDA aggregate group and to the ratio of owner-occupied housing within these tracts. In 2010 and 2011, Peoples originated three of its 53 loans (5.6 percent) in the assessment area's moderate-income census tracts. This ratio was above the HMDA aggregate's 1.8 percent and was nearly equal to the percentage of the assessment area's owner-occupied housing units in these census tracts (5.7 percent). Performance under this factor is considered reasonable.

COMMUNITY DEVELOPMENT ACTIVITIES

The level of community development activities is adequate considering the bank has only two small offices in the assessment area representing just 10.1 percent of the bank's total deposit base.

As previously mentioned, Peoples FSB's primary business strategy is to originate single-family residential loans. Therefore, community development lending opportunities are limited. However, the institution originated two small farm loans that totaled nearly \$273,000 in the assessment area during the review period. Loans to small businesses were also originated but were not available for review.

The bank helped procure a \$7,500 FHLBI downpayment grant for a low- to moderate-income individual on a \$24 thousand loan in the assessment area in 2012.

Bank staff served on various boards and fund raising committees for organizations providing services to low- and moderate-income individuals.

³ One bank and 24 Aggregate HMDA origination with income reported as N/A were not included in the table or respective percentages.

CONCLUSIONS IN OTHER MICHIGAN ASSESSMENT AREAS

Peoples FSB's performance in the other Michigan assessment areas (South Bend–Mishawaka, Indiana–Michigan MSA and Kalamazoo–Portage, Michigan MSA) was consistent with its overall performance in this state. Activities were commensurate with the institution's limited presence in these areas.

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: (01/01/2010 to 12/31/2011) Community Development Test: (10/05/2009 to 02/11/2013)	
Financial Institution	Products Reviewed	
Peoples FSB of DeKalb County (Peoples or institution) Auburn, Indiana)	Residential (HMDA) loans, Community Development Loans, Investments and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Indiana Non-MSA Fort Wayne, IN MSA Michigan Non-MSA Elkhart-Goshen, IN MSA Kalamazoo-Portage, MI MSA South Bend-Mishawaka, IN-MI MSA (Cass County, MI)	Full Scope Full Scope Full Scope Limited Scope Limited Scope Limited Scope	Visited Main Office in Auburn, IN

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Peoples FSB	Satisfactory	Satisfactory	Satisfactory
Indiana	Satisfactory	Satisfactory	Satisfactory
Michigan	Satisfactory	Satisfactory	Satisfactory