



PUBLIC DISCLOSURE

July 8, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples Federal Savings & Loan Association
Charter Number 703917

101 E. Court St
Sidney, OH 45365-3021

Office of the Comptroller of the Currency

West Lake Center
4555 Lake Forest Drive, Suite 520
Blue Ash, OH 45242-3760

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low-income 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 Outstanding.

The Lending Test is rated: Outstanding.

- Peoples Federal Savings and Loan Association's (hereafter Peoples or the thrift) loan-to-deposit (LTD) ratio is more than reasonable and compares very favorably with similarly situated banks in the thrift's assessment area (AA) and the surrounding six contiguous counties.
- A substantial majority of the thrift's lending activity occurs within its AA.
- Lending to borrowers of different income levels and businesses of different sizes reflects excellent distribution within the Shelby County AA.
- Overall, the thrift's performance in lending to geographies of different income levels exhibits excellent dispersion in the one moderate-income census tract of the AA.
- The thrift does a great deal to meet the community development needs of low-income and moderate-income individuals in the Shelby County AA.

SCOPE OF EXAMINATION

Our office conducted a Community Reinvestment Act (CRA) evaluation to assess the thrift's record of meeting the credit needs of its community. We used the small savings association CRA evaluation procedures to perform the examination. The evaluation period was from January 1, 2011 through December 31, 2012.

Although Peoples is not required to report its lending activity under the Home Mortgage Disclosure Act (HMDA), management maintains a Loan Application Register (LAR) of the thrift's mortgage lending activities. Our review determined the information to be reliable to assess the thrift's CRA performance. We determined Peoples' primary lending products during the review period were residential mortgage loans and commercial loans including commercial real estate loans. For analysis of the Lending Test, we considered loans originated from January 1, 2011 through December 31, 2012. We used the LAR data to review home purchase, home improvement, and refinance loans. We also identified a sample of twenty business loans, primarily secured by non-owner occupied residential real estate from the thrift's LAR. We completed the performance evaluation analysis using the 2000 Census data for the 2011 analysis and the 2010 Census data for the 2012 analysis.

DESCRIPTION OF INSTITUTION

Peoples is a stock based community thrift located in the city of Sidney, Ohio, approximately 40 miles north of Dayton, Ohio. The thrift's parent company is Peoples - Sidney Financial Corporation, a one-bank holding company. The main office and one branch are located in the city of Sidney. In addition, two branches, each with a deposit taking ATM, are located in the

villages of Anna, Ohio and Jackson Center, Ohio. All offices, branches and ATMs are located in Shelby County, Ohio.

The thrift’s main business focus is owner-occupied, single-family real estate lending, but it also serves other financial needs of its community with consumer loans and small business loans. Additionally, Peoples originates mobile home loans and farm loans. No legal or financial impediments exist that could restrict Peoples’ ability to meet the credit needs of Shelby County, Ohio. The thrift’s last CRA examination commenced May 24, 2007 and concluded with a ‘Satisfactory’ rating assigned.

As of March 31, 2013, Peoples reported total assets of \$130.4 million with \$102.5 million in total deposits and \$94.6 million in total loans or 72.6 percent of total assets. At the same time, the thrift held \$15.2 million in Tier 1 capital. According to the June 30, 2012 Federal Deposit Insurance Corporation’s Deposit Market Share Report for Shelby County, the thrift had the third highest percentage (12.2 percent) of the deposit market share in Shelby County, out of the ten financial institutions accepting deposits.

LOAN PORTFOLIO MIX		
As of March 31, 2013		
Loan Type	Dollar Volume (in 000's)	% of Gross Loans
Residential Real Estate Loans	\$69,834	73.8%
Consumer-Installment Loans	2,356	2.5%
Commercial Loans	4,694	4.9%
Other Loans Secured by Real Estate	17,744	18.8%
TOTAL GROSS LOANS	\$94,628	100.0%

Source: March 31, 2013 Consolidated Report of Condition and UBPR.

DESCRIPTION OF ASSESSMENT AREA

Peoples’ assessment area consists of all census tracts in Shelby County, Ohio and does not arbitrarily exclude any low-income or moderate-income tracts. The AA is not located in a Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). There are ten census tracts in the AA. The population of the AA was 47,910 and 49,423, based on the 2000 and the 2010 census data, respectively. The largest industries in Shelby County are manufacturing and agriculture. Major employers include Honda of America, Emerson Climate Technologies, Plastipak Packaging, Wilson Memorial Hospital, the local school districts and the county government.

Although Shelby County suffered many of the same setbacks to income from unemployment and the financial recession that the rest of the U.S. went through in 2008 to 2011, the local economy has come back strong. The AA’s economy has improved and recovery has been somewhat faster than the average for the state of Ohio as a whole and the U.S. average due in part to the county’s strong manufacturing base. Shelby County’s unemployment figures averaged 6.0 percent for May 2013; this is a decrease from the May 2012 average of 6.6 percent. Shelby County’s latest unemployment rate compares favorably to both the state of Ohio’s May 2013 average of 6.9 percent and the U.S. average of 7.3 percent.

Competition for loans is strong and comes from local community financial institutions with offices within the AA and large regional and national financial institutions. Based on recent CRA performance evaluations completed for other institutions within the AA and our community contact interviews, financial institutions serving this AA are meeting the community's credit needs. Our community contact noted that the city of Sidney needs infrastructure development funds to improve deteriorating streets and the city's water system. However, thrift management indicated that the city was already in the process of implementing a bonds program to address these problems. Management stated that the thrift expects to invest in some of these bonds for community development.

The income distribution in the ten geographies of the AA changed over the review period due to the 2010 census data as follows:

- 2000 census data: Four middle-income and six upper-income census tracts.
- 2010 census data: One moderate-income, five middle-income, and four upper-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- Peoples' performance under the lending test is outstanding.

Loan-to-Deposit Ratio

- The thrift's loan-to-deposit ratio is more than reasonable.

This thrift's quarterly average loan-to-deposit (LTD) ratio of 129.2 percent over the past 24 quarters since the prior CRA examination (June 2007 thru March 2013) is more than reasonable when compared with similarly situated banks within its AA. For the same period, the average quarterly LTD ratio was 79.6 percent for other financial institutions in the thrift's AA and the surrounding six contiguous Ohio counties.

Lending in Assessment Area

- A substantial majority of People's lending activity occurs inside its AA.

The following table details Peoples’ AA lending activity by number and dollar volume.

Table 1 – People’s Lending Activity in Shelby County										
Loan Type	Number of Loans					Dollars of Loans (000’s omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	83	79.0	22	21.0	105	7,801	77.5	2,267	22.5	10,068
Commercial	15	75.0	5	25.0	20	1,172	75.1	388	24.9	1,560
Totals	98	78.0	27	22.0	125	8,973	77.2	2,655	22.8	11,628

Source: Peoples’ LAR for 2011 and 2012 and 2011and 2012 Commercial loan samples.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

- Overall, the thrift’s lending to borrowers of low-income and moderate-income and businesses of different sizes reflects excellent penetration.

The 2000 Census data reported that 5.33 percent of AA families live below the poverty level; this number increased to 8.9 percent of the AA families according to 2010 Census data. Additionally, AA median home prices equaled \$99,332 and \$125,360, respectively based on the 2000 and 2010 censuses. The thrift’s level of lending is excellent considering the limited lending opportunities these circumstances cause low-income and moderate-income borrowers in the AA. The thrift only made one home improvement loan in 2011; however, this is not a primary product for the institution.

Table 2 - 2011 Borrower Distribution of Residential Real Estate Loans in Shelby County							
Borrower Income Level	% of Total Thrift Loans (by Number)			% of Loans by AA Lenders			% of AA Families
	Purchases	*Refinances	Home Improvement	Purchases	Refinances	Home Improvement	
Low	8.8	14.8	0.0	10.0	4.0	7.1	11.7
Moderate	5.9	11.1	0.0	29.6	16.0	21.4	15.0
Middle	17.7	29.6	0.0	27.0	23.2	23.8	24.7
Upper	67.6	40.8	100.0	33.4	56.8	47.7	48.6

Source: 2000 U.S. Census data, 2011 HMDA Peer Data, and Peoples’ 2011 Loan Application Register.

*3.7 percent of Refinance loans had no income reported

Table 3 - 2012 Borrower Distribution of Residential Real Estate Loans in Shelby County							
Borrower Income Level	% of Total Thrift Loans (by Number)			% of Loans by AA Lenders			% of AA Families
	Purchases	Refinances	Home Improvement	Purchases	Refinances	Home Improvement	
Low	17.4	15.0	0.0	10.0	4.0	7.1	15.7
Moderate	13.0	25.0	0.0	29.6	16.0	21.4	17.2
Middle	17.4	15.0	0.0	27.0	23.2	23.8	21.3
Upper	52.2	45.0	0.0	33.4	56.8	47.7	45.8

Source: 2010 U.S. Census data, 2011 HMDA Peer Data, Peoples’ 2012 LAR. 2012 HMDA Peer Data not available.

The borrower distribution of loans to businesses with less than or equal to \$1 million dollars in gross revenues confirms the thrift’s excellent penetration in lending to small businesses.

Table 4 – 2011 Borrower Distribution of Loans to Businesses in Shelby County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.8%	3.8%	26.4%	100.0%
% of Bank Loans in AA by #	71.4%	28.6%	0.0%	100.0%
% of Bank Loans in AA by \$	77.4%	22.6%	0.0%	100.0%

Source: Sample of 2011 Commercial Loans; 2011 Business Geodemographic Data.

Table 5 – 2012 Borrower Distribution of Loans to Businesses in Shelby County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.6%	5.0%	22.4%	100.0%
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100.0%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100.0%

Source: Sample of Commercial Loans (2012); 2012 Business Geodemographic Data.

Geographic Distribution of Loans

- Peoples’ geographic distribution of loans reflects excellent penetration of residential real estate and business loans in the AA’s one moderate-income census tract.

The AA does not contain any low-income census tracts. According to the 2012 U.S. Census, there is one moderate-income census tract in the bank’s AA. We did not perform a geographic distribution analysis for the 2011 loan sample as part of this review because there were no low-income or moderate-income census tracts in the AA in 2011 according to the 2000 U.S. Census. The thrift did not make any home improvement loans in the AA in 2012; however, this is not a primary product for the institution. The geographic distribution analysis reflected lending throughout most of the AA with no conspicuous gaps.

Table 6 - 2012 Geographic Distribution of Residential Real Estate Loans in Shelby County					
Census Tract Income Level	% of Total Thrift Loans		% of Loans by AA Lenders		% of AA Owner Occupied Housing
	Purchases	Refinances	Purchases	Refinances	
Moderate	10.5	0.0	0.0	0.0	8.6
Middle	47.4	44.4	34.2	26.3	46.5
Upper	42.1	55.6	65.8	73.7	44.9

Source: 2010 U.S. Census data, 2011 HMDA Peer Data, and 2012 Peoples’ LAR data. 2012 HMDA Peer Data not available.

Table 7 – 2012 Geographic Distribution of Loans to Businesses in Shelby County						
Census Tract Income Level	Moderate		Middle		Upper	
Loan Type	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses
Business Loans	12.5	10.6	37.5	52.2	50.0	37.2

Source: 2012 Business Geodemographic Data and 2012 Commercial loan sample.

Responses to Complaints

Neither Peoples’ management nor the Office of the Comptroller of the Currency’s Customer Assistance Group received any complaints regarding Peoples’ CRA performance.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 195.28(c) in determining a Federal Savings Association’s (FSA’s) 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 are part of the FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.