



PUBLIC DISCLOSURE

January 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples Federal Savings Bank
Charter Number 704223

435 Market Street, Brighton, MA 02135-2715

Office of the Comptroller of the Currency

99 Summer Street, Suite 1400, Boston, MA 02110

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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Satisfactory.

The major factors supporting the Bank's ratings are:

- Peoples Federal Savings Bank's (PFSB or Bank) level of lending, as reflected by the net loan-to-deposit ratio, is more than reasonable.
- A majority of originated loans are made inside the Bank's assessment areas (AAs).
- The distribution of home loans reflects excellent distribution among borrowers of different income levels.
- The geographic distribution of loans reflects excellent distribution in the low- and moderate-income census tracts.
- The Bank demonstrates adequate responsiveness to the community development needs within its AAs.

Scope of Examination

Peoples Federal Savings Bank was evaluated using Intermediate Small Bank CRA examination procedures, including a lending test (LT) and a community development (CD) test. The LT evaluates the Bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the Bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services. The evaluation period for the LT covers the Bank's performance from January 1, 2011, through September 30, 2013. For the period January 1, 2011, through December 31, 2011, the Bank's performance was compared to the 2000 U.S. Census data. For the period from January 1, 2012, through September 30, 2013, performance was compared to the 2010 U.S. Census data. The CD test evaluation period is February 14, 2011, the date of the last CRA examination, through January 21, 2014. CD loans, investments, and services submitted by management were verified to ensure they meet the regulatory definition for community development.

The Bank's primary loan products, based on loan originations and/or purchases during the evaluation period, are residential mortgages including home purchase, home refinance, and home improvement loans. The Federal Deposit Insurance Corporation (FDIC) Call Report, as of September 30, 2013, shows that residential loans represent 65% the loan portfolio. Home refinance loans comprised the majority, 60%, of loans originated, while home purchase and home improvement loans comprised 33% and 7%, respectively.

The Bank reports data under requirements of the Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we reviewed the testing results of the Bank's HMDA data for residential

real estate loans originated and found the data was reliable. All residential real estate loans originated during the evaluation period were included in our analysis of the Bank's lending.

Description of Institution

Peoples Federal Savings Bank is a federally chartered stock savings association headquartered in Brighton, Massachusetts (MA). As of September 30, 2013, the Bank had total assets of \$584 million and tier 1 capital of \$88 million. Peoples Federal Savings Bank is wholly owned by Peoples Federal Bancshares, Inc., a savings and loan holding company. The Bank operates as a traditional thrift lender by providing residential mortgage loan products and deposit services to its customers.

Peoples Federal Savings Bank's main office is located in Brighton, with six branches located in the communities of Allston, Brookline, Jamaica Plain, Norwood, West Newton, and West Roxbury, MA. Each location is open from 8:30 am to 4:30 pm, Monday through Wednesday, with extended hours on Thursday and Friday to 6:00 pm. All locations are open on Saturday from 9:00 am until 3:00 pm, and the main office is open on Sunday from 11:00 am to 3:00 pm. Automated teller machines (ATMs) are available at all locations. The Bank offers free telephone banking and free online banking/bill payment. During the evaluation period, Peoples Federal Savings Bank opened two branches. A branch in West Newton opened in June 2011, and a branch in Westwood opened in December 2013, both located in upper-income tracts. The Westwood branch is not considered in this evaluation, as it was opened at the end of the evaluation period. No branches were closed during the evaluation period.

Peoples Federal Savings Bank is a full service institution, offering a wide range of loan and deposit products to meet consumer and business banking needs. Retail loan products include residential mortgages including first time homebuyer programs, home equity loans/lines of credit, construction loans, auto loans, personal loans, savings secured loans, and tuition assistance financing. Standard deposit products for consumers and businesses are offered. More information can be found on the Bank's website, <https://www.pfsb.com>. Deposit and loan product information can also be found in the Bank's public file.

As of September 30, 2013, total deposits were \$440 million. The loan portfolio totaled \$466 million, or 80% of total assets. The distribution of the Bank's loan portfolio is shown below.

Loan Portfolio Summary by Loan Product as of September 30, 2013	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	65%
Home Equity	2%
Commercial & Industrial	2%
Other Real Estate	27%
Construction and Development	3%
Consumer	1%
Total	100%

Source: Federal Deposit Insurance Corporation (FDIC) Call Report

The Bank has no financial or legal impediments to meeting the credit needs of the community. Peoples Federal Savings Bank was rated "Satisfactory" using intermediate small bank procedures at the prior CRA examination dated February 14, 2011.

Description of Assessment Areas

The CRA requires a bank to define the AA in which it will be evaluated. Peoples Federal Saving Bank has two AAs that include all branches, as well as the contiguous towns/cities around these offices. The Bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

The Bank's operations comprise part of Suffolk and Norfolk counties, within the Boston-Quincy MA, Metropolitan Division (MD), and a portion of Middlesex County, within the Cambridge-Newton-Framingham MA, MD. The Bank has seven offices/branches, four in Suffolk County, two in Norfolk County, and one in Middlesex County.

A full scope review was performed on AA1 – Suffolk and Norfolk Counties. Six of the seven (86%) branches are located in AA1 and 77% (by number) of residential mortgage loans were originated in AA1. A limited scope review was performed on AA2 – Middlesex County.

Full Scope AA1 – Suffolk & Norfolk Counties

AA1 includes portions of Suffolk and Norfolk counties and is within the Boston-Quincy MA, MD. Within Suffolk County, AA1 includes Brighton, Allston, Hyde Park, Jamaica Plain, Roslindale, and West Roxbury, all neighborhoods within the city of Boston. The cities/towns in Norfolk County are Brookline, Canton, Dedham, Needham, Norwood, Sharon, Walpole, Wellesley, and Westwood. In 2011, AA1 was comprised of 93 census tracts. There were two low-income tracts, 20 moderate-income tracts, 32 middle-income tracts, and 39 upper-income tracts. In 2012 and 2013, AA1 was comprised of 106 census tracts. There were six low-income tracts, 18 moderate-income tracts, 31 middle-income tracts, 45 upper-income tracts, and 6 tracts that have not been assigned an income classification. Refer to the tables below for additional information.

Demographic Information for Peoples Federal Savings Bank AA1 2011					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	93	2%	22%	34%	42%
Population by Geography	438,265	2%	23%	29%	46%
Owner Occupied Housing by Geography	95,214	<1%	12%	31%	57%
Family Distribution by Income Level	100,489	17%	15%	20%	48%
2000 Census Median Family Income (MFI)		\$62,948	Median Housing Value		\$475,064*
HUD Updated MFI: 2011		\$87,600	Households Below Poverty Level		10%

Source: 2000 U.S. Census data

* Based on 2010 census data.

Demographic Information for Peoples Federal Savings Bank AA1 2012 & 2013					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	106 *	6%	17%	29%	42%
Population by Geography	451,319	6%	17%	30%	47%
Owner Occupied Housing by Geography	98,997	2%	10%	31%	57%
Family Distribution by Income Level	99,855	18%	14%	18%	50%
2010 Census Median Family Income (MFI)		\$83,664	Median Housing Value		\$475,064
HUD Updated MFI: 2012		\$88,800	Households Below Poverty Level		12%
		Unemployment Rate**			6.1%

Source: 2010 U.S. Census data

* Six tracts (6%) are NA; this category consists of geographies that have not been assigned an income classification

**Data from Moody's Analytics, Boston, September 2013.

The Federal Deposit Insurance Corporation's Deposit Share Report for June 30, 2013, indicates that 144 financial institutions operate within the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area. At June 30, 2013, Peoples Federal Savings Bank ranks 42nd with 0.18% of the deposit market share.

The Bank's lending market includes some neighborhoods in Boston, the largest city in Massachusetts, as well as New England. Competition for the Bank's primary loan product is extremely high, as many nationwide lenders are present in the Bank's lending market. These lenders include Wells Fargo Bank, JPMorgan Chase Bank, Mortgage Master, Inc., US Bank, and Citibank. Peer Mortgage 2012 Market Share data indicates that Peoples Federal Savings Bank competes with 411 lenders within AA1, and the top 10 lenders dominate with a market share of 46%. The Bank ranks 42nd with a market share of 0.51%.

The Bank's local competitors include Brookline Bank, Century Bank and Trust Company, Eastern Bank, East Boston Savings Bank/Mt. Washington Bank, Commonwealth Cooperative Bank, Commerce Bank, Norwood Bank, Blue Hills Bank, The Cooperative Bank, Dedham Savings, Needham Bank, The Bank of Canton, and Brookline Credit Union. Large national and regional financial institutions, as well as non-bank entities, including mortgage brokerage firms, finance companies, insurance companies, mutual funds, and investment banking firms, provide further competition for deposit and loan products.

The Boston area is home to numerous colleges and universities and is a center for medicine and health care. Leading industries include state and local government, healthcare, restaurants, higher education, insurance, and financial services. Largest employers are Massachusetts General Hospital, Brigham and Women's Hospital, Boston University, Children's Hospital, Beth Israel Deaconess Medical Center, Fidelity Investments, and Liberty Mutual. The cost of living in the greater Boston area is high and housing affordability remains a key need, particularly affordable rental housing. It is estimated that more than half of all extremely low and very low-income households pay more than 50% of their incomes on housing costs. Nationally, average rents in the Boston area are the fifth highest in the country.

Moody's Analytics report, dated September 2013, states that strong gains in healthcare, construction, and high technology will drive the area's expansion over the next year; however, job growth will be below the national rate. While the finance and insurance industries will remain integral to the economy, their relative importance will decline as health care and high technology services expand. The area will benefit, over the long run, from a concentration of high-skilled, well-paying jobs in high technology and health care. Despite this, the area will underperform the nation in the long term due to high business and living costs and below average population growth. The residential real estate market continues to strengthen.

Based on the U.S. Bureau of Labor Statistics (<https://www.data.bls.gov>), in November 2013, the seasonally adjusted unemployment rate for the state of Massachusetts was 7.1%, slightly above the national rate of 7.0%. The unemployment rate for the AA was 6.1%.

Bank management identified the need for loans to very small businesses. In addition, we reviewed seven community contacts made during the evaluation period; the organizations serve some or all of the same geographies as the Bank's AA. The organizations are involved in community development, affordable housing, community services, and two are Community Development Corporations (CDCs). In summary, credit/banking needs identified include affordable housing, affordable rental housing, job training, financial and technical support, loan products/programs for low- and moderate-income first time homebuyers, homebuyer counseling programs, lending to small businesses and start-ups, and serving bilingual customers.

Opportunities for bank participation/involvement largely centered on lending and grants/donations related to affordable housing and first time homebuyer mortgage products/education programs. One of the CDCs stated that they partner with local banks on homebuyer classes, including Peoples Federal Savings Bank as a participant with the CDC's first time homebuyer program.

Limited Scope AA2 – Middlesex County

AA2 comprises a portion of Middlesex County and is in the Cambridge-Newton-Framingham MA, MD. The cities/towns in AA2 are Belmont, Cambridge, Newton, Somerville, Waltham, Watertown, and Weston.

In 2011, AA2 was comprised of 91 census tracts, with three low-income, 27 moderate-income, 37 middle-income tracts, and 24 upper-income tracts. In 2012 and 2013, AA2 was comprised of 97 census tracts, with eight low-income, 25 moderate-income, 34 middle-income tracts, and 30 upper-income tracts. One of seven (14%) of branches are located in AA2 and 23% (by number) of residential mortgage loans were originated in AA2.

Conclusions with Respect to Performance Tests

LENDING TEST

Peoples Federal Savings Bank's performance under the lending test is Outstanding. The Bank's loan-to-deposit ratio is more than reasonable and a majority of loans is originated inside the Bank's AAs. The distribution of loans among borrowers of different income levels is excellent. The geographic distribution of loans in the low- and moderate-income census tracts is excellent.

Loan-to-Deposit Ratio

The Bank's net loan-to-deposit (LTD) ratio is more than reasonable given the Bank's size, AA credit needs, market competition, and economic factors. The quarterly ratio averaged 98% over the last 11 quarters since the previous CRA examination dated February 14, 2011. During the period since the last examination, the LTD ranged from a quarterly low of 92% to a high of 106%.

Lending in Assessment Area

A majority of Peoples Federal Saving Bank's primary loan product was originated and/or purchased inside the assessment areas. The Bank originated 64% by number and 61% by dollar amount of loans in the AAs.

The following table details the Bank's lending within its AAs by number and dollar amount of loans.

Lending in Peoples Federal Savings Bank's AAs (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	151	57%	113	43%	264	\$82,709	62%	\$51,051	38%	\$133,760
Home Improvement	35	80%	9	20%	44	\$11,300	87%	\$1,621	13%	\$12,921
Home Refinance	271	67%	136	33%	407	\$95,575	58%	\$68,115	42%	\$163,690
Totals	457	64%	258	36%	715	\$189,584	61%	\$120,787	39%	\$310,371

Source: HMDA reported data from 1/1/2011-9/30/2013

Lending to Borrowers of Different Incomes

The distribution of home loans among borrowers of different income levels is excellent.

Conclusion for Full Scope AA1 – Suffolk & Norfolk Counties

There is excellent distribution of home loans to borrowers of different income levels for loans originated/purchased in 2011.

The percent of home purchase loans made to low-income borrowers significantly exceeds the percent of aggregate lending data, which is our primary comparator, but is lower than the percent of low-income families in the AA. The percent of home purchase loans made to moderate-income borrowers is lower than the percent of aggregate lending data and the percent of moderate-income families in the AA.

The percent of home improvement loans made to low-income borrowers significantly exceeds the percent of aggregate lending data, and meets the percent of low-income families in the AA. The percent of home improvement loans made to moderate-income borrowers exceeds both the percent of aggregate lending data and the percent of moderate-income families in the AA.

The percent of home refinance loans made to low-income borrowers exceeds the aggregate lending data, but is significantly below the percent of low-income families in the AA. The percent of home refinance loans made to moderate-income borrowers exceeds the percent of aggregate lending data, and is near the percent of moderate-income families in the AA.

Demographic factors, including the high cost of housing and very competitive market for mortgage lending, further support the Bank's excellent performance. The cost of housing in Massachusetts, particularly in the greater Boston area is high and housing affordability is a significant issue not only for low- and moderate-income families, but also in some cases for households considered middle-income. It has become increasingly difficult for low- to moderate-income (LMI) households to purchase homes as the down payment requirements are hard to meet. The median housing value in AA1 is \$475,064; housing costs are very high relative to the HUD adjusted median family income of \$87,600.

There is strong market competition for mortgage lending. Peer Mortgage 2011 Market Share data indicates that Peoples Federal Savings Bank competes with 402 lenders within AA1. The top 11 are nationwide lenders and dominate the market with an overall market share of 52%. The Bank ranks 50th with a market share of 0.34%.

The following tables show the aggregate lending data for HMDA reporters within AA1 as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Aggregate Lending Data for Borrower Distribution in AA1 (2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	3%	11%	16%	11%	24%	17%	57%	61%
Home Improvement	4%	17%	14%	17%	22%	33%	60%	33%
Home Refinance	2%	5%	10%	13%	22%	27%	66%	55%

Borrower Distribution of Residential Real Estate Loans in AA1 (2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	17%	11%	15%	11%	20%	17%	48%	61%
Home Improvement	17%	17%	15%	17%	20%	33%	48%	33%
Home Refinance	17%	5%	15%	13%	20%	27%	48%	55%

Source: HMDA reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data

There is excellent distribution of home loans to borrowers of different income levels for loans originated/purchased in 2012 and 2013.

The percent of home purchase loans made to low-income borrowers meets the percent of aggregate lending data, which is our primary comparator, but is significantly lower than the percent of low-income families in the AA. The percent of home purchase loans made to moderate-income borrowers is lower than both the percent of aggregate lending data and the percent of moderate-income families in the AA.

The percent of home improvement loans made to low-income borrowers exceeds the percent of aggregate lending data, but is significantly below the percent of low-income families in the AA. The percent of home improvement loans made to moderate-income borrowers is near both the percent of aggregate lending data and the percent of moderate-income families in the AA.

The percent of home refinance loans made to low-income borrowers significantly exceeds the percent of aggregate lending data, but is significantly below the percent of low-income families in the AA. The percent of home refinance loans made to moderate-income borrowers exceeds the percent of aggregate lending data, and is near the percent of moderate-income families in the AA.

Demographic factors, including the high cost of housing and very competitive market for mortgage lending, further support the Bank's excellent performance. The median housing value in AA1 is \$475,064. Housing costs are very high relative to the HUD adjusted median family income of \$88,800. A low-income family earns \$44,400 or less, and a moderate-income family has an income range of \$44,400 to a maximum income of \$71,040. Qualifying for a conventional mortgage, without spending more than 28% of income to purchase a home, would be very challenging for both low- and moderate-income borrowers.

As discussed previously, competition is high. Peer Mortgage 2012 Market Share data indicates that Peoples Federal Savings Bank competes with 411 lenders within AA1, and the top 10 dominate with an overall market share of 46%. The Bank ranks 42nd with a market share of 0.51%.

The following tables show the aggregate lending data for HMDA reporters within AA1 as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Aggregate Lending Data for Borrower Distribution in AA1 (2012 & 2013)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	3%	3%	17%	8%	24%	24%	56%	65%
Home Improvement	4%	6%	14%	12%	26%	19%	56%	63%
Home Refinance	2%	8%	10%	12%	23%	25%	65%	55%

Borrower Distribution of Residential Real Estate Loans in AA1 (2012 & 2013)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	18%	3%	14%	8%	18%	24%	50%	65%
Home Improvement	18%	6%	14%	12%	18%	19%	50%	63%
Home Refinance	18%	8%	14%	12%	18%	25%	50%	55%

Source: HMDA reported data from 1/1/2012-9/30/2013; 2010 U.S. Census data

Conclusion for Limited Scope AA2 – Middlesex County

Based on a limited scope review, the Bank's performance in AA2, for 2011, 2012, and 2013, is not inconsistent with performance in the full scope area.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent distribution in the low- and moderate-income tracts. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

Conclusion for Full Scope AA1 – Suffolk & Norfolk Counties

The geographic distribution of home loans in 2011 reflects excellent distribution in the moderate-income tracts. The Bank made no home purchase, home improvement, or home refinance loans in the low-income geographies. The percent of owner occupied housing in the low-income tracts is very low, at 0.34%, greatly limiting lending opportunities. The percent of home purchase loans made exceeds the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

The percent of home improvement loans originated exceeds the percent of aggregate lending data, and is near the percent of owner occupied housing in the moderate-income geographies. The percent of home refinance loans originated significantly exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

Demographic factors further support the Bank's excellent performance. The percentage of individuals below poverty levels is 10%. As noted previously, the mortgage lending market is highly competitive, with many large nationwide lenders dominating the market. Based on Peer Mortgage 2011 Market Share data, 206 lenders made loans in the moderate-income tracts. Peoples Federal Savings Bank's rank is impressive, at 28.

The following tables detail the aggregate lending data for all HMDA reporters within AA1 as well as the Bank's performance compared to the percent of owner occupied housing units in each census tract income level.

Aggregate Lending Data for Geographic Distribution in AA1 (2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	<1%	0%	13%	17%	32%	55%	55%	28%
Home Improvement	<1%	0%	9%	11%	29%	33%	62%	56%
Home Refinance	<1%	0%	9%	28%	25%	42%	66%	30%

Geographic Distribution of Residential Real Estate Loans in AA1 (2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	<1%	0%	12%	17%	31%	55%	57%	28%
Home Improvement	<1%	0%	12%	11%	31%	33%	57%	56%
Home Refinance	<1%	0%	12%	28%	31%	42%	57%	30%

Source: HMDA reported data from 1/1/2011 to 12/31/2011; 2000 U.S. Census data

The geographic distribution of home loans in 2012 and 2013 reflects excellent distribution in the low- and moderate-income tracts. The percent of home purchase loans made exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. This performance is notable as the percent of owner occupied housing in the low-income tracts is low, at 2%. The percent of lending for home purchase loans significantly exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

The percent of home improvement loans originated significantly exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. The percent of home improvement loans made exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

The percent of home refinance loans originated exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. The percent of lending for home refinance loans significantly exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

Demographic factors further support the Bank's excellent performance. The percentage of individuals below poverty levels is high at 12%. Competition is very strong, with many large nationwide lenders dominating the mortgage lending market. Based on Peer Mortgage 2012 Market Share data, 111 lenders made loans in the low-income tracts. Peoples Federal Savings Bank's rank is strong in ninth place.

The following tables detail the aggregate lending data for all HMDA reporters within AA1 as well as the Bank's performance compared to the percent of owner occupied housing units in each census tract income level.

Aggregate Lending Data for Geographic Distribution in AA1 (2012 & 2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	2%	5%	11%	27%	31%	25%	56%	43%
Home Improvement	2%	18%	9%	14%	27%	32%	62%	36%
Home Refinance	1%	5%	8%	32%	25%	24%	66%	39%

Geographic Distribution of Residential Real Estate Loans in AA1 (2012 & 2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2%	5%	10%	27%	31%	25%	57%	43%
Home Improvement	2%	18%	10%	14%	31%	32%	57%	36%
Home Refinance	2%	5%	10%	32%	31%	24%	57%	39%

Source: HMDA reported data from 1/1/2012-9/30/2013; 2010 U.S. Census data

Conclusion for Limited Scope AA2 – Middlesex County

Based on a limited scope review, the Bank's performance in AA2, for 2011, is inconsistent with performance in the full scope area. No home purchase or home improvement loans were made in the low- or moderate-income tracts, and no home refinance loans were made in the low-income tracts. Refinance loans made in the moderate-income tracts exceeded demographic comparators. The Bank made only 12 home purchase loans, one home improvement loan, and 18 home refinance loans. This performance carries little weight due to the low volume and the limited presence in this AA, with only one branch location recently opened in 2011.

Based on a limited scope review, the Bank's performance in AA2, for 2012 and 2013, is not inconsistent with the Bank's performance in the full scope area.

Responses to Complaints

There were no CRA complaints received by the Bank or the OCC during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the community development (CD) test is Satisfactory. Peoples Federal Savings Bank demonstrates adequate responsiveness to the community development needs in its assessment areas through CD loans, investments, and services. The following qualified loans, investments, and services reflect the Bank's efforts to meet community development needs within its AAs.

Number and Amount of Community Development Loans

Conclusion for Full Scope AA1 – Suffolk & Norfolk Counties

Peoples Federal Savings Bank originated an adequate level of CD loans during the evaluation period and represents adequate responsiveness. AA1 is an area that is overbanked and competition for CD loans is very high. The Bank originated four loans totaling \$1 million during the evaluation period that qualified as CD loans. The CD loans made by the Bank provided financing for organizations that provide affordable housing and job training, both identified needs in the AA.

The highlights of the Bank's CD loans are as follows:

- A \$350,000 loan to refinance a nonprofit organization's halfway housing facility located in a moderate-income tract, which assists drug addiction recovery to LMI individuals.
- A \$200,000 commercial loan to refinance and for repairs to a nonprofit organization located in a low-income tract that provides job training to disabled LMI individuals.

Conclusion for Limited Scope AA2 – Middlesex County

Based on a limited scope review, Peoples Federal Savings Bank's CD loans in AA2 is not inconsistent with the Bank's overall performance in the full scope AA1. The Bank made a \$900,000 small business loan to a company located in a moderate-income tract, which would expand its operations as well as create jobs.

Number and Amount of Qualified Investments

Conclusion for Full Scope AA1 – Suffolk & Norfolk Counties

The level of CD investments is adequate considering the Bank's capacity and the strong competition limits opportunities for smaller banks in AA1. There were no current or prior period investments. The level of qualifying donations is high, totaling 114 for \$869,250, benefiting 46 different CD organizations in AA1. The vast majority of the grants and donations are made through the Bank's Charitable Foundation and more than half of the donations range in size from \$5,000 to \$40,000. Many of the donations are made to organizations that focus on affordable housing, job training, and homebuyer seminars, all identified needs. While the actual level of Bank donations made was higher, these donations met the definition of community development.

Conclusion for Limited Scope AA2 – Middlesex County

Based on a limited scope review, Peoples Federal Savings Bank's investments and donations in AA2 is not inconsistent with the Bank's overall performance in the full scope AA1.

Extent to Which the Bank Provides Community Development ServicesConclusion for Full Scope AA1 – Suffolk & Norfolk Counties

The Bank's level of CD services in AA1 is excellent. The Bank has six full service branches located within AA1. In 2011, one branch was located in a moderate-income tract. Based on the updated 2010 U.S. Census data, the main office in Brighton is now located in a moderate-income tract, or 17% of the Bank's branches, and meets the 17% of the moderate income population living there. Another branch is now located in a low-income tract in Allston, and greatly exceeds the 6% of the low-income population living there.

Peoples Federal Savings Bank is involved in the Basic Banking for Massachusetts Program, which expands access to bank products and services and encourages those with modest income to establish banking relationships. The Bank voluntarily provides low-cost checking and savings accounts that meet program guidelines. In conjunction with a local CDC's matched-savings individual development program, the Bank has opened several money market accounts for low-income residents in the AA. These accounts feature no minimum balance and no service fees. Peoples Federal Savings Bank also participates in the Interest on Lawyer's Trust Accounts (IOLTAs). Interest earned on accounts enable nonprofit legal aid providers to help low-income people with civil legal matters. An identified need is services for bilingual customers, and the Bank provides two or three bilingual teller and customer service representatives at each office location.

The Bank provides a good level of community development services and is responsive to the needs of the community. During the evaluation period, 10 bank officers/employees provided financial expertise and/or leadership services to 10 community development organizations serving AA1. Many of these services provided first time homebuyer seminars, job training, and assisting small businesses, all identified needs.

Highlights of CD services include:

- A mortgage loan officer conducted six first time homebuyer seminars throughout the evaluation period in conjunction with a local CDC.
- Two senior bank officers serve on the board of an organization located in a low-income tract that provides job training to disabled LMI individuals.
- Three bank senior bank officers serve as president and treasurers of two organizations that provide assistance to small businesses in two neighborhoods where 65% of tracts are low- to moderate-income.

Conclusion for Limited Scope AA2 – Middlesex County

Based on a limited scope review, Peoples Federal Savings Bank's CD services in AA2 is inconsistent with the Bank's overall performance in the full scope areas. The Bank has a limited presence in this AA, with only one branch location recently opened in 2011.

Responsiveness to Community Development Needs

Conclusion for Full Scope AA1 – Suffolk & Norfolk Counties

Considering the Bank's capacity, the need, and the availability of CD opportunities, Peoples Federal Savings Bank's performance, through CD loans, investments, and services, demonstrates adequate responsiveness to the needs of AA1.

Fair Lending or Other Illegal Credit Practices Review

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 FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.