

OFFICE OF THRIFT SUPERVISION

Receivership of a Federal Savings Bank

Date: July 31, 2009
Order No.: 2009-41
Docket No.: 08097

The Acting Director of the Office of Thrift Supervision (OTS), or his designee, in cooperation with the Federal Deposit Insurance Corporation (FDIC), has determined to appoint the FDIC as receiver of Peoples Community Bank, West Chester, Ohio (Savings Bank).

GROUNDS FOR APPOINTMENT OF FDIC AS RECEIVER FOR THE SAVINGS BANK

The Acting Director, or his designee, based on the administrative record finds and determines the following:

- (i) The Savings Bank is in an unsafe and unsound condition to transact business;
- (ii) The Savings Bank, by resolution of its board of directors, has consented to the appointment of a receiver;
- (iii) The Savings Bank is critically undercapitalized; and
- (iv) The Savings Bank has substantially insufficient capital.

The Savings Bank is a Federally chartered savings bank, the accounts of which are insured by the Deposit Insurance Fund. The Savings Bank's home office is in West Chester, Ohio. As of March 31, 2009, the Savings Bank reported in its Thrift Financial Report (TFR) that it had approximately \$675.359 million in assets, \$660.537 million in liabilities, \$14.882 million in stockholders' equity, and a net loss for the three months ended March 31, 2009, of approximately \$3.97 million. At March 31, 2009, the Savings Bank reported tangible, tier one (core), tier one risk-based, and total risk-based capital of 1.81 percent, 1.81 percent, 2.82 percent, and 4.15 percent, respectively. The Savings Bank's March 31, 2009, TFR indicates that the Savings Bank is critically undercapitalized. The Savings Bank is wholly owned by Peoples Community Bancorp, Inc. (Holding Company).

DISCUSSION OF GROUNDS FOR APPOINTMENT OF A RECEIVER FOR THE SAVINGS BANK

Section 5(d)(2)(A) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(d)(2)(A), provides that OTS may appoint a receiver for any insured savings association if OTS determines that one or more grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1821(c)(5), exist.

Unsafe and Unsound Condition to Transact Business

Under section 11(c)(5)(C) of the FDIA, OTS may appoint a receiver for a savings association if it is in an unsafe and unsound condition to transact business. The Savings Bank's problem assets continue to deteriorate, the Savings Bank has a high level of classified assets to core capital, it has suffered significant losses on loan sales, its capital is severely depleted, and it has negative earnings. Therefore, the Acting Director, or his designee, finds that the Savings Bank is in an unsafe and unsound condition to transact business.

Consent

Under section 11(c)(5)(I) of the FDIA, a resolution by the board of directors consenting to the appointment of a receiver provides a sufficient basis for such an appointment. The board of directors of the Savings Bank, by resolution dated June 4, 2009, approved the entry of a stipulation and consent agreement that included consenting to the appointment of a conservator or receiver by OTS, provided that the Savings Bank is significantly or critically undercapitalized. The Savings Bank has reported that it is critically undercapitalized. The Acting Director, or his designee, finds that, under section 11(c)(5)(I) of the FDIA, the June 4, 2009, resolution and Savings Bank's subsequent entering into a stipulation and consent agreement for such an appointment provides a sufficient basis for the appointment of a receiver.

Critically Undercapitalized

Under section 11(c)(5)(L)(i) of the FDIA, OTS may appoint a receiver for a savings association if it is critically undercapitalized, as defined in 12 U.S.C. § 1831o(b). Under section 1831o(b), an institution is critically undercapitalized if it fails to meet any level of capital specified under section 1831o(c)(3)(A) of the FDIA. Section 1831o(c)(3)(A) provides for the appropriate banking agency to set a ratio of tangible equity to total assets at which an institution is critically undercapitalized. OTS has promulgated 12 C.F.R. § 565.4(b)(5), which defines an institution as critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than two percent. As of March 31, 2009, the Savings Bank reported a tangible capital ratio of 1.81 percent. Thus, the Acting Director, or his designee, concludes that the Savings Bank is critically undercapitalized.

Substantially Insufficient Capital

Under 12 U.S.C. § 1821(c)(5)(L)(ii), a receiver may be appointed for the Savings Bank if it has substantially insufficient capital. Pursuant to the authority granted in Sections 5(t)(1)(A)(i) and 5(t)(2)(A) of HOLA, 12 U.S.C. §§ 1464(t)(1)(A)(i), and (2)(A), OTS promulgated 12 C.F.R. Part 567. OTS has determined that failure to maintain at least two-thirds of any capital required by 12 C.F.R. Part 567 constitutes a substantial capital insufficiency within the meaning of the FDIA.¹ Pursuant to 12 C.F.R. § 567.8(b), all savings associations that do not have a composite rating of “1” must maintain a leverage capital ratio of four percent. The Savings Bank is not rated “1.” As of March 31, 2009, the bank reported a leverage ratio of 1.81 percent. Therefore, the Savings Bank has substantially insufficient capital.

In addition, Section 5(t)(2)(C) of HOLA, 12 U.S.C. § 1464(t)(2)(C), provides that OTS must require each savings association to maintain risk-based capital. OTS has prescribed that the minimum risk-based capital amount to be eight percent of the institution’s risk-based assets, as defined. See 12 C.F.R. §§ 567.2(a)(1) and 567.6. The Savings Bank reported a risk-based capital of 4.15 percent as of March 31, 2009. Thus, the Savings Bank has substantially insufficient capital.

The Acting Director, or his designee, therefore, has determined that grounds for the appointment for a receiver for the Savings Bank exist under section 5(d)(2) of the HOLA, and sections 11(c)(5)(C), (I), (L)(i) and (L)(ii) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(C), (I), (L)(i) and (L)(ii).

ACTIONS ORDERED OR APPROVED

Appointment of a Receiver

The Acting Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation or winding up the affairs of the Savings Bank, pursuant to section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

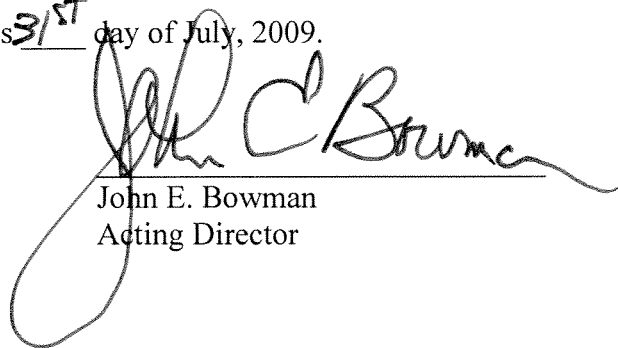
DELEGATION OF AUTHORITY TO ACT FOR OTS

The Acting Director, or his designee, hereby authorizes the OTS Central Regional Director, or his designee, and the Deputy Chief Counsel for the Business Transactions Division of the Chief Counsel’s Office, or his designee, to: (1) certify orders; (2) sign, execute, attest or certify other documents of OTS issued or authorized by this Order; (3) designate the person or entity that will give notice of the appointment of a receiver for the Savings Bank and serve the Savings Bank with a copy of this Order pursuant to 12 C.F.R. § 558.2; and (4) perform such other actions of OTS necessary or appropriate for the implementation of such Order. All documents to be issued under the authority of this Order must be first approved, in form and

¹ See e.g., OTS Order 2007-43 (September 27, 2007) and OTS Order 2009-21 (April 17, 2009).

content, by the Chief Counsel's Office. In addition, the Acting Director, or his designee, hereby authorizes the Deputy Chief Counsel for the Business Transactions Division, or his designee, to make any subsequent technical corrections, that might be necessary, to this Order, or any documents issued under the authority of this Order.

By Order of the Acting Director of OTS, or his designee, effective immediately upon service of this Order on the Savings Bank this 31st day of July, 2009.



John E. Bowman
Acting Director