



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 5, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FS & LA of Greensburg
Charter Number 704656

212 N. Franklin Street
Greensburg, IN 47240

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 Outstanding.

The CRA evaluation of First FS & LA of Greensburg (First Federal or the bank) revealed the following factors supporting the rating:

- First Federal originates a substantial majority of its primary product loans within its assessment areas (AA);
- The overall distribution of loans to low- and moderate-income borrowers is excellent and above peer levels;
- The overall distribution of loans to low- and moderate-income geographies is excellent and above peer levels; and,
- No written complaints relating to CRA performance were received during the evaluation period.

SCOPE OF EXAMINATION

Examiners utilized the Small Bank examination procedures to evaluate the bank's record of meeting the credit needs in its AA. We assessed the following performance standards during this examination:

- Loan-to-deposit ratio;
- Percentage of loans originated within the bank's AA;
- Borrower distribution within the AA based on level of income;
- Geographic distribution of lending within the AA; and,
- The bank's response to written complaints regarding its CRA performance.

The evaluation period for this review is from December 4, 2006 to December 31, 2011. To evaluate the bank's lending performance, we reviewed First Federal's loans originated from January 1, 2009 through December 31, 2011. Based on both the number and dollar volume of lending, we determined residential real estate mortgages to be the bank's primary product. First Federal became a 2011 HMDA reporter after opening a Shelbyville, Indiana branch in 2010 (Shelbyville is located in Shelby County, part of the Indianapolis MSA). With only 2011 HMDA data reported, examiners used OCC sampling procedures to select and review 20 residential mortgage loans originated in each AA during the three year period. Unless otherwise noted, demographic data is from the 2000 Census.

DESCRIPTION OF INSTITUTION

First Federal is a federally chartered, mutual savings and loan association headquartered in Greensburg, Indiana. In addition to the main office, the bank operates a second branch in Greensburg and opened a new branch in May, 2010 located in Shelbyville, Indiana.

First Federal is a traditional, community-oriented financial institution that originates single-family mortgage loans and solicits retail deposits from the general public. The bank offers retail and commercial products normally associated with a community bank. As of December 31, 2011, the bank reported total assets of nearly \$144 million; net loans were \$95.9 million while Tier 1 Capital was \$12.2 million. The following table represents the bank's loan portfolio mix as of December 31, 2011:

Loan Portfolio Summary by Loan Product	
Loan Category	% of Outstanding Dollars
Residential Mortgage	72.7%
Nonresidential Mortgage	20.4%
Commercial Non-mortgage	1.7%
Consumer	5.2%

Source: December 31, 2011 Thrift Financial Report data

There have been no acquisitions or mergers during the evaluation period; one branch opened in Shelbyville, Indiana and no branches closed.

There are no financial, legal, or other impediments hindering the bank's ability to meet the credit needs of its assessment areas. Bank activities are consistent with its size, local economic conditions, and credit needs of the community. The bank was rated Satisfactory at the last December 4, 2006 CRA examination.

DESCRIPTION OF ASSESSMENT AREA(S)

First Federal currently has two assessment areas in Indiana; Decatur County (non-MSA), and a three-county portion (Hancock, Johnson and Shelby Counties) of the Indianapolis MSA. Deposits between the two Decatur County branches represent 74 percent of all deposits with the remaining 26 percent located at the Shelbyville branch. Each AA will undergo a full-scope review; a description of each is detailed below:

Decatur County non-MSA AA

Decatur County is a non-MSA located approximately 50 miles southeast of Indianapolis, IN. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. The county has a population of roughly 25,000. The city of Greensburg, the county seat, has a population of just over 10,000.

Employment in Decatur County is primarily in manufacturing. A large Honda Civic automobile plant near I-74 (interstate) employs approximately 2,000 people. The County’s unemployment rate for December 2011 was 9.9 percent compared to the Indiana state rate of 8.6 percent and national rate of 8.3 percent for the same period.

The table below illustrates the census tract and family-income demographics for Decatur County:

Demographic Information for Decatur County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	6	0.00%	0.00%	100.00%	0.00%
Family Distribution by Income Level	6,938	15.44%	19.78%	26.20%	38.58%
Households below poverty level	8.76%				
2011 Median Family Income (MFI)	\$52,900				
2010 Median Family Income (MFI)	\$55,300				
2009 Median Family Income (MFI)	\$55,500				

Source: 2000 U.S. Census Data and 2009-2011 HUD data

Overall competition from other financial institutions is average in the AA. Besides First Federal, there are five other financial institutions with a total of eight branches. Competitors include both local community banks and branches from large, regional institutions. As of June 30, 2011, First Federal ranked 2nd in deposit share (17 percent) among the six banks in the AA.

Indianapolis MSA AA

This AA includes Hancock, Johnson, and Shelby Counties within the ten-county Indianapolis MSA. It is appropriate that the AA does not include the entire MSA, as the bank currently has only one branch located in Shelby County. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Local economic trends within the three counties are slightly better than average. The average December 2011 unemployment rate for the AA (7.9 percent) is lower than both the Indiana state rate of 8.6 percent and national rate of 8.3 percent for the same period.

The table below illustrates the census tract and family-income demographics for the (partial) Indianapolis MSA:

Demographic Information for the (partial) Indianapolis MSA AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	38	0.00	7.89	76.32	15.79
Family Distribution by Income Level	60,174	14.88	17.74	25.18	42.20
Households below poverty level	5.14%				
2011 Median Family Income (MFI)	\$66,000				
2010 Median Family Income (MFI)	\$68,700				
2009 Median Family Income (MFI)	\$68,100				

Source: 2000 U.S. Census Data and 2009-2011 HUD data

There are 27 financial institutions with a presence in the AA. These institutions range from \$91 million to \$743 billion in total assets. First Federal's deposit share makes up only 1.02 percent of the deposits within the AA.

Contacts with local community development organizations over the past three years indicate typical credit needs. These include loans to small businesses and affordable housing loans. This exam places little emphasis on performance context; the bank's lending exceeds the standards for satisfactory performance which is further detailed in this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

First Federal's performance of meeting the community credit needs is outstanding. This review concentrated on the bank's primary loan product, residential real estate lending. A substantial majority of loans originated are within the AA.

Both borrower and geographic distribution levels are significant in determining a bank's performance. First Federal's overall lending to low- and moderate-income borrowers and to geographies designated as low- and moderate-income exceeds the standards for satisfactory performance.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

First Federal's net loan-to-deposit ratio (LTD) is reasonable and meets the standards for satisfactory performance given the bank's size, financial condition, AA's credit needs, customer base, and local competition.

The bank's LTD averaged 88.1 percent over the last eight quarters (March 31, 2010 through December 31, 2011). The ratio ranged from a quarterly high of 101.4 percent at June 30, 2010 to a quarterly low of 73.5 percent at December 31, 2011. The steady decrease is due to growth in deposits. A local municipality opened a deposit account in mid-2010. Account history indicates short-term deposits coming in at the close of each month, effectively impacting quarter-end reporting. Peer institutions averaged 85.1 percent during this same period.

Lending in Assessment Area

A substantial majority of First Federal’s primary loan product is originated inside the bank’s assessment areas. The levels illustrated below exceed the standards for satisfactory performance.

Lending in the AA										
Type of Loans	Number of Loans					Dollar of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	16	80.00%	4	20.00%	20	\$1,433	72.1%	\$555	27.9%	\$1,988

Source: Sample of 20 real estate loans originated between 1/1/2009 and 12/31/2011.

Lending to Borrowers of Different Income Levels

First Federal’s overall lending distribution to borrowers of different income levels exceeds the standards for satisfactory performance.

Performance in the Decatur County AA

The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels. Forty percent of loans sampled were originated to low- and moderate-income borrowers compared to the 2010 aggregate (32.4 percent). Penetration to low-income borrowers alone is poor when comparing number of loans (5 percent vs. 10.2 percent), but more reasonable when comparing dollar volume (4.8 percent vs. 5.4 percent)

First Federal’s lending distribution to moderate-income borrowers is excellent, with 35 percent of sampled loans originated to this group. This exceeds the peer aggregate of 22.2 percent and is significant enough to rate overall income distribution as excellent in the Decatur County AA.

Distribution of First Federal’s Residential Real Estate Loans By Borrower Income Level in the Decatur County AA (Dollars in thousands)			
Borrower Inc. Level	Review Period 2009-2011		Peer Aggregate 2010
	#	%	% by #
By Number:			
Low	1	5.00%	10.20%
Moderate	7	35.00%	22.20%
Middle	2	10.00%	24.20%
Upper	10	50.00%	39.00%
N/A	0	0.00%	4.40%
Total	20	100.00%	100.00%
By \$ Amt:	\$	%	% by \$
Low	80	4.79%	5.44%
Moderate	521	31.20%	14.58%
Middle	209	12.51%	20.86%
Upper	860	51.50%	49.50%
N/A	0	0.00%	9.62%
Total	\$1,670	100.00%	100.00%

Source: Sample of 20 real estate loans originated within Decatur County between 1/1/2009 and 12/31/2011.

Performance in the Indianapolis MSA AA

The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels. Fifty-five percent of loans sampled were originated to low- and moderate-income borrowers compared to the 2010 aggregate (nearly 32 percent). Lending to low-income borrowers alone is poor (5 percent compared to nearly 12 percent); nonetheless, the excellent lending to moderate-income borrowers (50 percent compared to nearly 20 percent) is significant enough to say the overall income distribution in the Indianapolis MSA is excellent and the bank exceeds the standards for satisfactory performance.

Distribution of First Federal's Residential Real Estate Loans By Borrower Income Level in the (partial) Indianapolis MSA AA (Dollars in thousands)			
Borrower Inc. Level	Review Period 2009-2011		Peer Aggregate 2010
By Number:	#	%	% by #
Low	1	5.00%	11.92%
Moderate	10	50.00%	19.87%
Middle	5	25.00%	24.58%
Upper	4	20.00%	36.02%
N/A	0	0.00%	7.60%
Total	20	100.00%	100.00%
By \$ Amt:	\$	%	% by \$
Low	70	3.81%	6.91%
Moderate	907	49.38%	15.00%
Middle	458	24.93%	22.83%
Upper	402	21.88%	47.53%
N/A	0	0.00%	7.73%
Total	\$1,837	100.00%	100.00%

Source: Sample of 20 real estate loans originated within the Indianapolis MSA between 1/1/2009 and 12/31/2011.

Geographic Distribution of Loans

The bank's lending within low- and moderate-income geographies (census tracts) exceeds the standards for satisfactory performance.

This conclusion is supported only by our review of lending in the Indianapolis MSA; no analysis could be performed on the Decatur County AA as all six tracts are middle-income and any review would be meaningless.

The Indianapolis MSA is comprised of 38 census tracts, none which are designated "low-income" and only three which are "moderate-income". Fifteen percent of loans sampled were located in moderate-income tracts compared to only 1.9 percent of the 2010 aggregate data as illustrated below:

Geographic Distribution of Residential Real Estate Loans in the (partial) Indianapolis MSA AA (Dollars in thousands)			
Census Tract Designation	Review Period 2009-2011		Peer Aggregate 2010
By Number:	#	%	% by #
Low	0	0.00%	0.00%
Moderate	3	15.00%	1.93%
Middle	17	85.00%	68.24%
Upper	0	0.00%	29.83%
Total	20	100.00%	100.00%
By \$ Amt:	\$	%	% by \$
Low	0	0.00%	0.00%
Moderate	203	11.05%	1.11%
Middle	1,634	88.95%	63.95%
Upper	0	0.00%	34.94%
Total	\$1,837	100.00%	100.00%

Responses to Complaints

FNB did not receive any complaints about its performance in helping to meet the assessment area needs during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.