



PUBLIC DISCLOSURE

April 1, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Warsaw Federal Savings & Loan Association
Charter Number: 701158

3533 Warsaw Ave.
Cincinnati, Ohio 45205-1850

Office of the Comptroller of the Currency
Westlake 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- 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.

- Warsaw Federal Savings & Loan Association's (Warsaw or thrift) loan-to-deposit (LTD) ratio is more than reasonable and compares very favorably with similarly situated banks in their assessment area (AA).
- A majority of Warsaw's lending activity occurs within its AA.
- Lending to borrowers of different income levels reflects excellent distribution within their AA.
- Overall, the thrift's performance in lending to geographies of different income levels exhibits excellent dispersion in the moderate-income census tracts of the AA.

SCOPE OF EXAMINATION

Our office conducted a Community Reinvestment Act (CRA) examination to assess the thrift's record of meeting the credit needs of its community. We used the small savings association CRA examination procedures to perform the examination. The evaluation period was from January 1, 2007 through December 31, 2012. For analysis of the Lending Test, we considered loans originated from January 1, 2011 through December 31, 2012. We will compare the 2011 loans to the 2000 census data and 2012 loans to the 2010 census data.

We determined Warsaw's primary product is residential real estate loans through our review of the thrift's loan originations during the lending evaluation period. Warsaw is primarily a one-to-four family first mortgage operation. We reviewed home purchase and refinance loans reported under the Home Mortgage Disclosure Act (HMDA) provided by the thrift. We conducted a data integrity review of the HMDA data from 2010, 2011 and 2012, and determined the information reliable. The thrift does not originate home improvement loans; therefore, this was not included in our review.

DESCRIPTION OF INSTITUTION

Warsaw is a \$66 million federally chartered mutual savings and loan association (SLA) located in Cincinnati, Ohio. The main office is located in Price Hill, approximately 10 miles southeast of downtown Cincinnati, Ohio. They also have a branch office located in Saylor Park. Both offices are located in Hamilton County, Ohio. Warsaw is a stand-alone mutual and does not own any subsidiaries; it chartered as a savings and loan association in 1933.

In 2011, Warsaw hired an individual with the necessary expertise to originate mortgages to sell on the secondary market. Lacking space to facilitate this new venture at either of their offices, Warsaw's management and the Board opened a new offsite 'loan production office' (LPO) in Milford, Ohio (Clermont County). Soon after, they offered mortgage loan applications online and expanded their AA from just Hamilton County, Ohio to include Hamilton, Butler, Warren, and Clermont Counties. The LPO immediately started making hundreds of additional one-to-four family mortgages, the vast majority within their new enlarged AA. The thrift's operation has changed dramatically in size but their primary product remains one-to-four family residential mortgages.

According to the Federal Deposit Insurance Corporation's (FDIC) June 30, 2012 Deposit Market Share Report for Butler, Clermont, Hamilton and Warren Counties, the thrift held 32nd place or 0.09 percent of the market share out of the 50 financial institutions accepting deposits in those counties. Competition in the AA is strong.

No legal or financial impediments exist that could restrict Warsaw's ability to meet the credit needs of its AA. The Office of Thrift Supervision (OTS) performed the thrift's last CRA examination and prepared the performance evaluation as of March 1, 2007 covering the 36-month review period between January 1, 2004 and December 31, 2006. The OTS assigned the thrift a 'Satisfactory' rating.

DESCRIPTION OF ASSESSMENT AREA

Warsaw's AA consists of four whole counties in southwest Ohio (Clermont, Hamilton, Warren and Butler) and 375 census tracts; 52 of which are low-income, 86 are moderate-income tracts, 145 are middle-income, 89 are upper-income and there are three areas that are not assigned an income classification. The AA is located in the Cincinnati-Middleton, OH-KY-IN Metropolitan Statistical Area (MSA) #17140. The thrift's AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts.

The AA's economy is improving overall as per unemployment figures that decreased in 2011 and again in 2012. At March 31, 2013, unemployment rates were 6.3 percent for Hamilton County, 6.1 percent for Butler County, 5.6 percent for Warren County and 6.4 percent for Clermont County. All of these are lower than the state and national unemployment rates of 6.7 percent and 7.1 percent, respectively. The weighted average of the HUD Median Family Income for the MSA increased from \$70,400 as per the 2000 census data to \$71,300 per the 2010 census data. However, according to the 2000 census, 7.0 percent of the AA's families lived below the poverty level. The 2010 census data showed an increase to 10 percent. Overall, financial institutions have very little chance of extending credit to families living below the poverty level.

Warsaw’s AA has a diverse employer base across many industries. Major employers in Hamilton County include American Financial Group, Duke Energy Corp., Fifth Third Bancorp, General Electric Co, Procter & Gamble Co., the University of Cincinnati and TriHealth Inc. Major employers in Butler County include Amylin Pharmaceuticals Inc., Butler County Government, Cincinnati Financial Corp., Ft. Hamilton Memorial Hospital, Miami University and the local school districts. Major employers in Warren County include Cintas Corp., Procter & Gamble Co., State of Ohio, Cedar Fair/Kings Island, Aisin Seiki/ADVICS Co. Ltd. and HJ Heinz/Portion Pac Inc. Major employers in Clermont County include Duke Energy Corp., Mercy Health Partners, International Paper and the local school districts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Warsaw’s LTD is more than reasonable when compared with the performance of peer thrifts. Since the prior CRA examination, Warsaw’s quarterly LTD ratio averaged 100.91 percent. This number compares favorably with the peer thrift’s quarterly LTD 91.4 percent average; peer is described as all AA thrifts, reporting assets between \$50 million and \$100 million.

Lending in Assessment Area

A substantial majority of Warsaw’s lending activity occurs within its AA. Warsaw originated or purchased 86.8 percent of their total number of loans and 86.2 percent of the dollar amount of their loans within its AA. See Table 1 below for details.

Lending in Butler, Clermont, Hamilton and Warren County										
Loan Type	Number of Loans					Dollars of Loans (000’s omitted)				
	Inside		Outside		Total	Inside		Outside		Total
Residential RE	#	%	#	%		\$	%	\$	%	
2011 Total	89	87.3	13	12.7	102	\$16,013	86.6	\$2,480	13.4	\$18,493
2012 Total	498	86.8	76	13.2	574	\$88,292	86.1	\$14,202	13.9	\$102,494
Totals	587	86.8	89	13.2	676	\$104,305	86.2	\$16,682	13.8	\$120,987

Source: Warsaw HMDA Data (Note: 2012 Data Source was 2010 US Census and 2011 Data Source was 2000 US Census)

Lending to Borrowers of Different Incomes

The thrift’s lending to residential real estate borrowers reflects excellent distribution of loans to low- and moderate-income borrowers. This is particularly true when compared to similarly situated lenders.

2011 Warsaw's Borrower Distribution of Residential RE Loans in Cincinnati MSA AA					
Borrower Income Level	% Total Warsaw Loans		% of Loans by AA Lenders		% of Families in Each AA Income Level
	Purchases	Refinances	Purchases	Refinances	
Low	20.6	2.0	15.4	0.5	19.0
Moderate	29.4	9.8	15.8	4.7	18.1
Middle	26.5	27.4	32.2	21.0	22.5
Upper	23.5	60.8	36.7	73.8	40.4

Source: 2000 U.S. Census data and banks HMDA loan data 2011.

2012 Warsaw's Borrower Distribution of Residential RE Loans in Cincinnati MSA AA					
Borrower Income Level	% Total Warsaw Loans		% of Loans by AA Lenders		% of Families in Each AA Income Level
	Purchases	Refinances	Purchases	Refinances	
Low	15.0	3.3	8.9	1.4	21.0
Moderate	26.8	12.0	15.8	4.7	17.0
Middle	25.9	17.0	32.2	21.0	20.6
Upper	32.3	67.7	23.5	60.8	41.4

Source: 2010 U.S. Census data and banks HMDA loan data 2012.

Geographic Distribution of Loans

Warsaw's geographic distribution of loans reflects excellent penetration of residential real estate mortgages in the moderate-income census tracts of the AA. This is particularly true when compared to similarly situated lenders.

2011 Geographic Distribution of Residential RE Loans in Warsaw's 4 County AA					
Census Tract Income Levels	% of Warsaw's Loans		% of AA Lender Loans		% of AA Owner Occupied Units
	Purchases	Refinances	Purchases	Refinances	
Low	0.0	0.0	1.7	0.7	2.5
Moderate	26.5	1.8	10.4	6.6	14.7
Middle	35.3	30.9	47.1	38.6	49.3
Upper	38.2	67.3	36.8	58.1	33.5

Source: 2000 U.S. Census data and Warsaw HMDA Data.

2012 Geographic Distribution of Residential Real Estate Loans in Warsaw's 4 County AA					
Census Tract Income Levels	% of Warsaw's Loans		% of AA Lender Loans		% of AA Owner Occupied Units
	Purchases	Refinances	Purchases	Refinances	
Low	1.4	0.7	1.7	0.7	3.4
Moderate	10.9	6.2	10.4	6.2	15.8
Middle	50.9	35.0	47.1	38.6	45.6
Upper	36.8	58.1	40.8	54.1	35.2

Source: 2010 U.S. Census data and Warsaw HMDA Data.

Responses to Complaints

Neither Warsaw's management nor our office received any complaints regarding Warsaw's CRA performance.

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'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 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.