



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 8, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Savings and Loan Association of Central Illinois
Charter Number 703812

200 North Morgan Street
Shelbyville, Illinois 62565

Office of the Comptroller of the Currency

Champaign Field Office
3001 Research Road, Suite E-2
Champaign, IL 61822-1089

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 families and 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 Satisfactory.

The major factors providing support for this rating include:

- First Federal Savings and Loan Association of Central Illinois (First Federal) has a reasonable loan-to-deposit ratio.
- First Federal originated a majority of loans inside the assessment area.
- First Federal has excellent distribution of loans to borrowers of different incomes and businesses of different sizes in the assessment area.
- First Federal has a reasonable geographic distribution of residential and small business loans among various income tracts in the assessment area.

SCOPE OF EXAMINATION

We reviewed the institution's CRA performance using small bank examination procedures. The evaluation period is from July 1, 2008 to April 8, 2013. We reviewed the institution's residential real estate and business loans originated from January 1, 2011 to December 31, 2012 to evaluate lending performance. Based on the number and dollar volume of loan origination information supplied by the institution, First Federal's primary loan products are residential real estate loans and business loans. In reaching our conclusions, we placed more weight on residential real estate loans as they represented the largest volume between the two primary products.

The loans we reviewed are representative of the institution's business strategy since the last CRA examination. We used the 2000 U.S. Census data for analyzing loans originated and purchased in 2011 and the 2010 U.S. Census data for analyzing loans originated and purchased in 2012. Since 2012 aggregate HMDA data is not available, aggregate HMDA data from 2011 was used as peer group data for analyzing residential loans originated and purchased in both 2011 and 2012.

DESCRIPTION OF INSTITUTION

First Federal is a mutually-owned, federally-chartered savings and loan association with assets totaling \$99.9 million as of December 31, 2012. First Federal was originally chartered as the "Peoples Mutual Loan Association of Shelbyville" in 1905. The institution's primary business focus is to serve its local community through the origination and servicing of residential mortgage loans and to provide deposit-related banking services to its customers.

First Federal's main branch is in Shelbyville, Illinois. The institution also has branches in Charleston and Windsor, Illinois. The institution's Charleston location became a branch after First Federal merged with Charleston Federal Savings and Loan Association in December 2008. The Windsor location opened in January 2011 to better serve the assessment area.

Each branch has drive-up facilities and convenient banking hours. The institution has an automated teller machine (ATM) at each branch location. In addition, the institution

offers debit cards that enable its customers to conduct account transactions from any ATM throughout the assessment area.

First Federal offers a wide range of conventional mortgage products, consumer, commercial real estate and commercial business loans. The institution also offers Rural Development loans that target low- and moderate-income borrowers. In addition, the institution offers a full line of deposit products including certificates of deposit, passbook, money market, NOW accounts, and individual retirement account (IRAs).

The institution’s loan portfolio totaled \$55 million, or 55 percent, of total assets as of December 31, 2012. The following table represents the various components of the portfolio:

Loan Portfolio Summary by Loan Product		
Loan Category	\$ Amount Outstanding (000)	% of Amount Outstanding
Real Estate Loans	43,301	78.61%
Commercial	4,042	7.34%
Individual	7,623	13.84%
Agricultural	119	.22%
Totals	55,085	100%

Source: December 31, 2012 Uniform Bank Performance Report (UBPR)

One- to-four family homes loans, commercial loans, and consumer loans represent 28.54, 18.04, and 8.51 percent of total assets, respectively. Approximately 40.72 percent of assets are in interest-bearing deposits and investment securities.

There are no known impediments limiting First Federal's ability to help meet the credit needs of its local community, including those of low- and moderate-income families. At its previous CRA examination dated June 30, 2008, First Federal received a rating of “Satisfactory”.

DESCRIPTION OF ASSESSMENT AREA

First Federal has one assessment area including all of Shelby and Coles Counties, Illinois. The assessment area is not part of any Metropolitan Statistical Area (MSA). First Federal’s assessment area is reasonable, meets the legal requirements and does not arbitrarily exclude any low- or moderate-income census tracts. All of First Federal’s branches are located in Shelby and Coles Counties, two in Shelby County and one in Coles County.

Based on the 2000 census information, there were 18 census tracts in the institution’s assessment area. One tract was moderate-income, 16 tracts were middle-income, and one tract was upper-income. Based on the 2010 census information, the number of tracts remained the same but tract demographics changed by adding one moderate-income census tract and reducing the middle-income census tracts by one. There are no low-income census tracts in the assessment area.

According to the 2000 census data, the assessment area has a population of 76,089. The table below provides additional demographic information for the assessment area.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	18	0.00	5.56	88.89	5.56	0.00
Population by Geography	76,089	0.00	2.90	91.91	5.18	0.00
Owner-Occupied Housing by Geography	20,360	0.00	0.71	93.38	5.91	0.00
Business by Geography	5,671	0.00	1.46	93.56	4.97	0.00
Farms by Geography	654	0.00	0.31	97.25	2.45	0.00
Family Distribution by Income Level	18,764	16.19	19.21	23.92	40.68	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,643	0.00	2.21	95.54	2.24	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		43,613 56,600 16%		Median Housing Value Unemployment Rate (2000 US Census)	70,383 2.55%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

According to the 2010 census data, the assessment area population remained consistent at 76,236. The table below provides additional demographic information for the assessment area.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	18	0.00	11.11	83.33	5.56	0.00
Population by Geography	76,236	0.00	11.95	82.47	5.58	0.00
Owner-Occupied Housing by Geography	20,243	0.00	10.26	83.40	6.35	0.00
Business by Geography	0	0.00	0.00	0.00	0.00	0.00
Farms by Geography	0	0.00	0.00	0.00	0.00	0.00
Family Distribution by Income Level	18,234	19.95	19.43	21.41	39.21	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,987	0.00	11.11	83.33	5.56	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2012 Households Below Poverty Level		54,549 57,400 18.86%		Median Housing Value Unemployment Rate (2010 US Census)	91,139 5.35%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2012 FFIEC updated MFI

The economic condition of the assessment area is stable. Coles County's major employers are in the education and health care sectors. The largest three employers in Coles County are Eastern Illinois University, R.R. Donnelley and Sons, and Sarah Bush Lincoln Health Center. Shelby County's major employers are in the manufacturing and retail sectors. The largest three employers in Shelby County are International Paper, Wal-Mart Supercenter, and Johnstowne Mall, LLC.

The December 2012 unemployment rate for Coles County was 8.2 percent, while the Shelby County unemployment rate was 9.7 percent. The state unemployment rate at that time was 8.6 percent, while the national rate was 7.8 percent.

First Federal faces competition from numerous community banks within the assessment area as well as larger regional and national financial institutions. Excluding First Federal, there are 20 financial institutions with 39 branches located in the Coles and Shelby County assessment area. First Federal ranks fourth in the assessment area with a deposit market share of 6.34 percent based on June 30, 2012 deposit information reported annually to the Federal Deposit Insurance Corporation (FDIC).

During the examination, we conducted a community contact with an affordable housing organization in Shelby County. The contact stated there are no identified credit needs in the community at this time.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

First Federal's performance of meeting community credit needs is satisfactory.

Loan-to-Deposit Ratio

First Federal's loan-to-deposit ratio is reasonable based on its size, financial condition, assessment area credit needs, and local competition. First Federal's loan-to-deposit ratio has averaged 51.96 percent over the eighteen quarters since the last examination. As of December 31, 2012, First Federal's loan-to-deposit ratio was 62.01 percent. Over the last eighteen quarters, the highest ratio was 74.75 percent, while the lowest was 41.63 percent.

First Federal's average loan-to-deposits ratio is lower than its peer group. The peer group average loan-to-deposit ratio was 57.62 percent. The peer group consists of five institutions with assets between \$49 million and \$212 million located in Coles and Shelby Counties.

First Federal's loan-to-deposit ratio may compare favorably to peer if its secondary market portfolio through the FHLB's Mortgage Partnership Program is considered. In addition, the average 51.96 ratio understates the level of lending by the institution because of the merger with Charleston Federal Savings and Loan Association in

December 2008. At its last CRA review September 8, 2008, Charleston Federal Savings and Loan Association had an average loan-to-deposit ratio of 19 percent.

Lending in Assessment Area

A majority of First Federal’s primary loan products are made within its assessment area. The following table shows the number and dollar amount of residential real estate and business loans originated by First Federal during the review period and their location with regard to the institution’s assessment area in our loan sample:

Lending in Coles and Shelby Counties Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	30	75.00%	10	25.00%	40	\$3,589	65.37%	\$1,901	34.63%	\$5,490
Business Loans	39	97.50%	1	2.50%	40	\$5,054	93.08%	\$376	6.92%	\$5,430
Totals	69	86.25%	11	13.75%	80	\$8,643	79.15%	\$2,277	20.85%	\$10,921

Source: Sample of residential of 40 residential real estate and 40 business loans originated between 1/1/2011 and 12/31/2012.

Lending to Borrowers of Different Incomes and Business of Different Sizes

The distribution of loans reflects excellent penetration among borrowers of different incomes and businesses of different sizes.

Residential Real Estate Loans

The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels. First Federal has excellent distribution to low- and moderate-income borrowers in 2011 and low-income borrowers in 2012. First Federal’s distribution to moderate-income borrowers is reasonable, with ten percent of the residential real estate loans sampled originated to moderate-income borrowers in 2012. While this ratio is less than peer and demographic data, it is important to note that 9.68 percent of the AA families are below poverty level and would have difficulty qualifying for a home loan.

Borrower Distribution of Residential Real Estate Loans in Coles and Shelby Counties AA-2011			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Families
Low	15%	8.97%	16.19%
Moderate	30%	23.10%	19.21%
Middle	10%	24.11%	23.92%
Upper	45%	43.82%	40.68%

Source: Loan Sample, 2011 HMDA data, and 2000 U.S. Census Data

Borrower Distribution of Residential Real Estate Loans in Coles and Shelby Counties-2012			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Families
Low	10%	8.97%	19.95%
Moderate	10%	23.10%	19.43%
Middle	20%	24.11%	21.41%
Upper	60%	43.82%	39.21%

Source: Loan Sample, 2011 HMDA data, and 2010 U.S. Census Data

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Small businesses are businesses with gross annual revenues of one million dollars or less. The institution's distribution compares favorably to peer and demographic data during 2011 and 2012. It is important to note that revenue data was not available for thirty percent and twenty-five percent of the AA businesses for 2011 and 2012, respectively.

Borrower Distribution of Loans to Businesses in Coles and Shelby Counties AA-2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	90%	10%	0	100%
% Aggregate Lenders	48%	52%	0	100%
% of AA Businesses	67.61%	2.42%	29.98%	100%

Source: Loan Sample and 2011 Business Geodemographic Data

Borrower Distribution of Loans to Businesses in Coles and Shelby Counties AA-2012				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	85%	15%	0	100%
% Aggregate Lenders	48%	52%	0	100%
% of AA Businesses	71.58%	3.32%	25.10%	100%

Source: Loan Sample and 2012 Business Geodemographic Data

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion throughout the assessment area.

Residential Real Estate

The geographic distribution of residential real estate loans reflects reasonable dispersion throughout the census tracts of different income levels. While no loans were originated within the moderate-income census tract in 2011, this is considered reasonable since the opportunity to make loans within the census tract is limited as less than 1 percent of the homes are owner-occupied in that census tract. The 2012 geographic distribution of residential real estate loan reflects excellent dispersion. First Federal's ten percent in 2012 compares favorably to peer and is in-line with demographic data.

Geographic Distribution of Residential Real Estate Loans in Coles and Shelby Counties AA-2011			
Census Tract Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Owner Occupied Housing
Low	0%	0%	0%
Moderate	0%	2.45%	.71%
Middle	85%	86.79%	93.38%
Upper	15%	10.76%	5.91%

Source: Loan Sample, 2011 HMDA data, and 2000 U.S. Census Data

Geographic Distribution of Residential Real Estate Loans in Coles and Shelby Counties AA-2012			
Census Tract Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Owner Occupied Housing
Low	0%	0%	0%
Moderate	10%	2.45%	10.26%
Middle	85%	86.79%	83.40%
Upper	5%	10.76%	6.35%

Source: Loan Sample, 2011 HMDA data, and 2010 U.S. Census Data

Business Loans

The institution's geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. Lending in both 2011 and 2012 substantially exceeded the peer and demographic data.

Geographic Distribution of Loans to Businesses in Coles and Shelby Counties AA-2011			
Census Tract Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Businesses
Low	0%	0%	0%
Moderate	10%	1.05%	1.46%
Middle	80%	92.57%	93.56%
Upper	10%	6.39%	4.97%

Source: Loan Sample and 2011 Business Geodemographic data

Geographic Distribution of Loans to Businesses in Coles and Shelby Counties AA-2012			
Census Tract Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Businesses
Low	0%	0%	0%
Moderate	35%	1.05%	20.29%
Middle	65%	92.57%	74.65%
Upper	0%	6.39%	5.06%

Source: Loan Sample and 2012 Business Geodemographic data

Responses to Complaints

First Federal has not received any complaints about its performance in helping to meet the assessment area needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.