



PUBLIC DISCLOSURE

December 09, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Savings Bank of Angola
Charter Number 702324

212 E Maumee St
Angola, IN 46703-1923

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 Satisfactory

First Federal Savings Bank of Angola (FFSB or institution) continues to meet the credit needs of its community. Factors supporting the satisfactory rating include:

- Reasonable loan-to-deposit (LTD) ratio;
- Majority of primary product loans inside the assessment areas;
- Reasonable number of loans made to low- and moderate-income families in the assessment area; and,
- No written complaints regarding the bank's CRA performance received during the evaluation review period.

SCOPE OF EXAMINATION

Examiners utilized the Small Bank examination procedures to evaluate the bank's record of meeting the credit needs of its community. Small Bank procedures include an evaluation of: (1) the institutions loan-to-deposit ratio, adjusted for seasonal variation and, as appropriate, other lending-related activities; (2) the percentage of loans and, as appropriate, other lending-related activities within the institutions assessment area; (3) the institutions record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; (4) the geographic distribution of the institutions loans; and (5) the institutions record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area.

The evaluation period for this review is from July 15, 2008 to September 30, 2013. To evaluate the bank's lending performance, we reviewed FFSB's loan originations from January 1, 2011 through September 30, 2013. Based on both the number and dollar volume of lending, we determined residential real estate mortgages to be the bank's primary product. Examiners utilized the institutions loan register to review residential loans originated from January 1, 2011 through September 30, 2013. The institution is not subject to the Home Mortgage Disclosure Act (HMDA). Examiners sampled 20 residential mortgage loan originations for 2011 and 20 residential mortgage loan originations for the period of January 1, 2012 through September 30, 2013.

The assessment area has no low- or moderate-income census tracts; therefore, a geographic distribution analysis was not performed.

DESCRIPTION OF INSTITUTION

First Federal Savings Bank of Angola is a federally chartered, mutual institution that operates its sole office in Angola, Indiana. FFSB is a traditional, community-oriented financial institution

that originates single-family mortgage loans and solicits retail deposits from the local community. The bank offers retail and commercial products normally associated with a community bank.

As of September 30, 2013, the institution reported total assets of \$133.1 million; net loans were \$92.2 million while tier 1 capital was \$21.9 million. The loan portfolio consists primarily of first lien mortgage loans secured by 1-4 family residences. Primary loan types are mortgage loans (fixed-rate, adjustable-rate, home equity, construction, and up to 95 percent loan to value). The following table represents the bank’s loan portfolio mix as of September 30, 2013:

Loan Portfolio Summary by Loan Product	
Loan Category	% of Outstanding Dollars
Residential Mortgage	92.72%
Nonresidential Mortgage	1.97%
Commercial Non-mortgage	0.73%
Consumer	4.59%

Source: September 30, 2013 Call Report data

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 institution received a CRA rating of satisfactory in its last public evaluation dated July 14, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

FFSB’s assessment area is non-metropolitan Steuben County, Indiana, which is located in the northeast corner of Indiana. The city of Angola is the county seat. The assessment area includes nine census tracts, with all tracts designated as either middle- or upper-income.

To evaluate CRA performance, examiners reviewed demographic data from the 2000 and 2010 U.S. Census. According to the 2000 census, the population of Steuben County was 33,214. The composition of families by income type was as follows: low-income, 12.9 percent; moderate-income, 16.3 percent; middle-income, 26.3 percent; and upper-income, 44.5 percent. The median price of housing was \$105,574 and the median year of housing built was 1971.

According to the 2010 census the population of Steuben County was 34,185. The composition of families by income type was as follows: low-income, 16.7 percent; moderate-income, 19.3 percent; middle-income, 27.4 percent; and upper-income, 36.7 percent. The median price of housing was \$142,655 and the median year of housing built was 1978.

The U.S. Department of Housing and Urban Development estimated the median family incomes for non-metropolitan Indiana for 2011, 2012, and 2013 as \$52,900, \$53,600, and \$52,700, respectively. The unemployment rate for Steuben County in 2011, 2012, and year-to-date 2013 is 10.0, 8.9, and 8.6 percent, respectively. We conducted a community contact interview to

determine credit needs in the assessment area. The local community contact indicated typical credit needs. These include loans to small businesses and affordable housing loans.

Overall competition from other financial institutions is average in the AA. Besides FFSB, there are eight 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, 2013, FFSB ranked 3rd in deposit share (23 percent) among the eight banks in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FFSB performance of meeting the community credit needs is satisfactory. This review concentrated on the bank's primary loan product, residential real estate lending. All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

FFSB's loan-to-deposit (LTD) ratio is reasonable considering the performance context. This performance criterion evaluates the institution's average LTD ratio in light of information from the performance context including, as applicable, the institution's lending capacity, the lending capacity of similarly-situated institutions, the demographic and economic factors present within the assessment area, and the assessment area's lending opportunities.

FFSB's quarterly LTD ratio averaged 78.4 percent during the twenty-two quarter period ending September 30, 2013. The LTD fluctuated from a low of 70.7 percent on September 30, 2008, to a high of 87.4 percent on December 31, 2011. The institutions average ratio is below the peer group's average ratio of 86.1 percent during the same period. Performance is comparable to the previous evaluation's review period, during which the average LTD ratio was 76.6 percent. The institution's LTD has increased above peer during the 2013 calendar year.

FFSB's average LTD ratio is understated due to its continued maintenance of a property tax collection deposit account for Steuben County. This deposit account is drawn to a zero balance twice each year as tax payments are made and is offset on the asset side of the balance sheet with short-term investments.

Considering these factors, FFSB's LTD ratio meets the standards for satisfactory performance for this criterion.

Lending in Assessment Area

The majority of the bank's originated loans are made inside the assessment area. In 2011, 95 percent of originated loans were inside their assessment area. In 2012 through September 30, 2013, 75 percent of originated loans were inside their assessment area. Based on the sample, the institutions lending related activities in their assessment area meet the standards for satisfactory performance.

Lending to Borrowers of Different Incomes

FFSB's overall lending distribution to borrowers of different income levels indicate reasonable penetration and meet the standards for satisfactory performance. For this performance factor, examiners compared FFSB's ratios for residential originations to the ratios of the HMDA peer group and to the relevant demographic ratios within the assessment area. Lending to low- and moderate-income borrowers received the most emphasis.

The analysis for 2011 is contained in the table below:

Borrower Income Distribution by Number of Sampled Residential Originations¹ in Steuben County AA			
Borrower Income Category	First Federal 2011	HMDA Peer Group 2011	2000 U.S. Census Distribution of Families by Income Type
Low	5.3%	7.9%	12.9%
Moderate	10.5%	19.4%	16.3%
Subtotal: Low and Moderate	15.8%	27.4%	29.2%
Middle and Upper	84.2%	72.6%	70.8%
Total	100.0%	100.0%	100.0%

Note: 7.3 percent of households are below the poverty level.

FFSB had reasonable penetration of loans to low- and moderate-income borrowers in 2011. Loans to low-income borrowers were near the HMDA peer group. Loans to moderate-income borrowers were low compared to the HMDA peer, but were 64 percent of the ratio of moderate-income families in Steuben County. The institution's coverage of both borrower segments was 15.8 percent, which was 58 percent of the HMDA peer group's coverage of 27.4 percent. This is reasonable penetration given the level of households below the poverty line (7.3 percent) that could not meet underwriting standards.

¹ This table analyzes only the loans which examiners sampled (twenty loans for the period of January 1, 2011 through December 31, 2011). HMDA peer information covers loan originations in the assessment area that are reported by financial institutions subject to HMDA and regulated by the Office of Comptroller of the Currency, the Federal Reserve Board, or the Federal Deposit Insurance Corporation for 2011.

The analysis for January 1, 2012 through September 30, 2013 is contained in the table below:

Borrower Income Distribution by Number of Sampled Residential Originations² in Steuben County AA			
Borrower Income Category	First Federal 2012 - 9/30/2013	HMDA Peer Group 2012	2010 U.S. Census Distribution of Families by Income Type
Low	0%	6.5%	16.7%
Moderate	20.0%	17.4%	19.3%
Subtotal: Low and Moderate	20.0%	24.0%	36.0%
Middle and Upper	80.0%	76.0%	64.0%
Total	100.0%	100.0%	100.0%

Note: 9.5 percent of households are below the poverty level.

FFSB's ratios of loans to low- and moderate-income borrowers were slightly below the HMDA peer group. As indicated in the table, the institution's coverage of both borrower segments was 20.0 percent, which was 83 percent of the peer group's coverage of 24.0 percent. The institution's coverage of these borrowers was approximately 75 percent of the ratio of low- and moderate-income families above the poverty level (26.5 percent). Our sample of 20 loans indicated no lending to low-income households; however, 2010 census data showed an increase in households in the assessment area that are below the poverty line (9.5 percent). Additionally, the median housing price rose to \$142,655 based on 2010 census data compared to no notable change in median household income, which was estimated at \$52,700 for 2013. These changes reduce the ability of low-income borrowers to meet the bank's underwriting standards. Based on the level of households below the poverty line, the increase in median housing price and the level of lending to moderate income borrowers; FFSB has a reasonable level of penetration.

Responses to Complaints

No complaints concerning FFSB's performance in meeting the credit needs of the assessment area have been received since the previous evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 195.28(c), in determining a Federal savings association's (FSA) CRA rating, respectively, 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 FSA's lending performance.

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

² This table analyzes only the loans which examiners sampled (twenty loans for the period of January 1, 2012 through September 30, 2013). HMDA peer information covers loan originations in the assessment area that are reported by financial institutions subject to HMDA and regulated by the Office of Comptroller of the Currency, the Federal Reserve Board, or the Federal Deposit Insurance Corporation for 2012.