



PUBLIC DISCLOSURE

September 08, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Fidelity Bank, F.S.B.
Charter Number 703676

18 NW 4th St
Evansville, IN 47708-1778

Office of the Comptroller of the Currency

500 North Broadway, Suite 1700
St. Louis, MO 63102

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.

United Fidelity Bank, F.S.B.'s (UFB) lending performance reflects a satisfactory response to community credit needs. The conclusion is based on the following:

- The bank originated a substantial majority of loans inside its assessment area (AA).
- The geographic distribution of mortgage loans originated by UFB during the evaluation period within the AA is excellent.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of UFB's record in meeting the credit needs of the communities in which it operates. UFB was evaluated under the Small Bank performance criteria, which includes a lending test. The lending test evaluates the institution's record of helping to meet the credit needs of its AA through its lending activities. The CRA evaluation period covers July 30, 2008 through September 8, 2014.

For our analysis of UFB's lending activity, we incorporated all residential real estate (RRE) loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2012 and 2013. To ascertain the data integrity of the reported HMDA loans, we reviewed a sample and concluded that the data was accurate and reliable.

We used demographic information from the 2010 U.S. Census and 2012 peer data from HMDA reporters with lending activity in the AA. For the analysis of borrower and geographic distribution, we placed most weight on the comparison of UFB's performance to the aggregate peer data.

UFB's AA in southern Indiana received a full-scope review. Please see the "Description of Assessment Area" for more information.

DESCRIPTION OF INSTITUTION

UFB is a federally chartered savings association and is a wholly owned subsidiary of Fidelity Federal Bancorp, headquartered in Evansville, Indiana. As of June 30, 2014, UFB had total assets of \$227 million, net loans of \$74 million, total deposits of \$162 million, and total risk-based capital of \$27 million. UFB operates six offices in Indiana: the main office and three branches in Evansville (Vanderburgh County), a branch office in Newburgh (Warrick County), and a branch office in Mt. Vernon (Posey County). During this evaluation period, the bank opened the Mt. Vernon branch in August 2008. In May 2014, UFB purchased Columbia Savings Bank in Cincinnati,

Ohio, through the Federal Deposit Insurance Corporation (FDIC). We did not include the Cincinnati AA in this evaluation because this UFB branch just opened. All locations have deposit-taking ATMs.

The institution offers a full range of loan and deposit services. UFB's primary business focus during the evaluation period was RRE. During 2012 and 2013, RRE originations totaled 280 by number and \$29 million by dollar amount. Commercial originations totaled 42 by number and \$12 million by dollar amount.

As of June 30, 2014, the institution reported \$74 million in outstanding loans and had a net loans and leases to total assets ratio of 33%. The loan portfolio consists of the following:

Loan Portfolio Summary by Loan Product June 30, 2014		
Loan Category	\$(000)	%
Business Loans	\$50,218	67%
Residential Loans	\$23,718	32%
Consumer Loans	\$ 1,213	1%
Total Loans	\$75,149	100%

The bank currently has no financial or legal impediments that would affect its ability to meet the credit needs of its AAs. However, the bank's ability to lend in its AA during the period was impacted by the terms of an agreement with its primary regulatory agency. We took the agreement and its impact on lending activities into consideration when determining performance under the CRA.

UFB's last CRA evaluation was July 29, 2008 and rated the institution's CRA performance Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

UFB's AA in southwestern Indiana consists of Posey, Vanderburgh and Warrick Counties, three of the four Indiana counties within the Evansville, IN-KY Metropolitan Statistical Area #21780. The bank's AA conforms to regulatory requirements and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Here is a summary of key information for the AA:

Demographic Information for Full Scope Area: United Fidelity						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA
Geographies (Census Tracts/BNAs)	67	10.45	23.88	35.82	28.36	1.49
Population by Geography	265,302	4.97	20.91	33.16	40.96	0.00
Owner-Occupied Housing by Geography	75,148	3.34	17.27	34.93	44.47	0.00
Business by Geography	19,097	4.89	20.59	38.77	35.74	0.01
Farms by Geography	977	0.51	7.57	45.34	46.57	0.00
Family Distribution by Income Level	69,852	20.36	16.88	21.92	40.84	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	26,012	9.57	32.56	33.22	24.65	0.00
Median Family Income		60,518	Median Housing Value		117,753	
FFIEC Updated Median Family Income for 2013		60,100	Unemployment Rate (2010 US Census)		3.20%	
Households Below Poverty Level		13%				

Source: 2010 US Census and 2013 FFIEC updated MFI and 2013 Business Geodemographic Data

Economic conditions are steadily improving. As of May 31, 2014, the unemployment rates in Posey, Vanderburgh, and Warrick Counties, were 4.9%, 5.3%, 4.8%, respectively. They were lower than the national unemployment rate of 6.3% and near the Indiana unemployment rate of 5.0%. Major industries consist of manufacturing, health care, retailing, and business/finance services. Major employers include Toyota Manufacturing and its affiliated suppliers, SABIC, Berry Plastics, Bristol-Myers Squibb, Springleaf Financial, Deaconess and St. Mary’s Hospitals, various local school districts, and the University of Southern Indiana.

Competitive pressures are present in this AA as 18 other institutions vie for business within the area. Competition comes from seven large regional banks and eleven smaller community banks. As of June 30, 2014, UFB holds 3% of the deposit market share in the AA and ranks 7th among these banks. Old National Bank and Fifth Third Bank are ranked first and second, respectively. Together, these two banks hold 65% of the deposits in the AA.

We contacted two community organizations familiar with local needs. The contacts did not indicate any credit needs.

In 2013, UFB developed a mortgage program, New Hope Mortgage, to provide discounted rate mortgage loans for LMI individuals and families in LMI areas. In 2014, the bank started participating in the Homeowner Opportunity Program (HOP) through the Federal Home Loan Bank of Indianapolis. The program assists first-time homebuyers at or below 80% of the area median income with down payment and closing costs and improves their eligibility for mortgage financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

UFB does a reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income individuals, given the demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

UFB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, and the AA's credit needs. The institution's LTD ratio averaged 63.53% over the 24 quarters since the last CRA examination, with a quarterly low of 38.48% and a quarterly high of 92.80%.

The institution's average quarterly LTD ratio is lower than all but one of the other community institutions of similar size, location, and product offerings. UFB ranks seventh among eight similarly situated institutions under \$380 million in total assets. The other seven institutions had quarterly LTD ratios ranging from 58.26% to 90.23%.

Lending in Assessment Area

UFB originated a substantial majority of loans inside its AA. The following table details the bank's lending within the AA by number and dollar amount of loans originated during the evaluation period.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Home Purchase	38	97%	1	3%	39	\$5,676	97%	\$175	3%	\$5,851
Home Improvement	3	100%	0	0%	3	27	100%	0	0%	27
Home Mortgage Refinance	124	94%	8	6%	132	16,158	89%	2,014	11%	18,172
Totals	165	95%	9	5%	174	\$21,861	91%	\$2,189	9%	\$24,050

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2013.

Lending to Borrowers of Different Incomes

UFB's level of lending reflects poor penetration among borrowers of different income levels. The penetration level was lower in part to the agreement with its primary regulator that was in place during 2012 and part of 2013. The agreement has since been terminated. The institution's percentage of home mortgage loans originated to both low- and moderate-income borrowers is lower than the HMDA peer average and also below the percentage of families in the AA.

Borrower Distribution of Residential Loans				
Borrower Income	Number of Loans	Percentage of Loans	Percent of Families	HMDA Peer Averages (2012)
Low-Income	12	7.27%	20.36%	10.02%
Moderate-Income	13	7.88%	16.88%	20.42%
Middle-Income	28	16.97%	21.92%	21.00%
Upper-Income	97	58.79%	40.84%	32.91%
Income NA	15	9.09%	-	15.65%
Total	20	100.00%	100.00%	100.00%

Source: 2010 Census data; UFB's 2012-2013 HMDA data; 2012 Peer HMDA data

Geographic Distribution of Loans

The geographic distribution of mortgage loans originated by UFB during the evaluation period reflects excellent dispersion within the AA. UFB's percentage of loans originated in the low-income tracts significantly exceeds the aggregate HMDA peer average but is lower than the percentage of owner-occupied housing units (OOHUs) in these tracts. UFB's percentage of loans originated in the moderate-income tracts exceeds the aggregate HMDA peer average; it is somewhat lower than the percentage of OOHUs in these tracts. The bank lends in all CTs of the AA.

Geographic Distribution of Residential Loans				
Census Tract Income Level	Number of Loans	Percentage of Loans	Percent of Owner Occupied Housing	HMDA Peer Averages (2012)
Low-Income	4	2.42%	3.34%	0.89%
Moderate-Income	24	14.55%	17.27%	11.39%
Middle-Income	47	28.48%	34.93%	28.81%
Upper-Income	90	54.55%	44.47%	58.91%
Total	165	100.00%	100.00%	100.00%

Source: 2010 Census data; UFB's 2012-2013 HMDA data; 2012 Peer HMDA data

Responses to Complaints

No complaints regarding UFB's CRA performance were received during the review period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) 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.