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Comptroller of the Currency  
Administrator of National Banks

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LARGE BANK

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## **PUBLIC DISCLOSURE**

October 18, 1999

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Horizon Bank, N.A.  
Charter Number 2747**

**515 Franklin Street  
Michigan City, Indiana, 46360**

**Comptroller of the Currency**

**7600 County Line Road, Suite 3  
Burr Ridge, Illinois, 60521**

**NOTE:** 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.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Horizon Bank, N.A., Michigan City, Indiana** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **October 18, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent census.

**Home Mortgage Disclosure Act (HMDA)** - The statute requires that certain mortgage lenders doing business, or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Limited-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above and half below the point.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## OVERALL CRA RATING

**Institution's CRA Rating:** This institution is rated **"Satisfactory."**

The following table indicates the performance level of **Horizon Bank, N.A.** with respect to the lending, investment, and service tests.

Performance Levels	Horizon Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- ❑ Lending levels reflect a good responsiveness to the credit needs in the bank's assessment areas, particularly moderate-income geographies and borrowers.
- ❑ A substantial majority of the small business loans originated are to small businesses in small dollar amounts.
- ❑ Delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area.
- ❑ The bank provides a satisfactory level of community development services.

## DESCRIPTION OF INSTITUTION

Horizon Bank, National Association (Horizon) with total assets of \$412 million at September 30, 1999, is headquartered in Michigan City, Indiana and operates in northwest Indiana. Horizon is an intrastate bank Horizon is the largest locally owned financial institution in Michigan City. Horizon owns two operating subsidiaries, Horizon Trust and Investment Management Company, National Association which engages in trust services, and Horizon Insurance Services, Incorporated which sells insurance. A review of these operating subsidiaries indicate no activities which would impact the CRA rating of this bank. Horizon Bancorp, a one-bank holding company, wholly owns Horizon with total assets as of June 30, 1999 of \$438 million. Horizon Bancorp is also located in Michigan City, Indiana.

Horizon has eight full service branches located throughout LaPorte and Porter Counties. The main office and three branches are located in LaPorte County and four branches in Porter County. One office in LaPorte County does not offer any deposit services, but these services are available at an office across the street. The bank also has a Loan Production Office (LPO) located in Merrillville, Indiana. This LPO primarily generates real estate mortgages. The bank supplements its branch network with 33 Automated Teller Machines (ATMs).

The Bank offers traditional deposit services and retail products such as residential mortgages, commercial credit, credit cards, and personal loans. However, the bank's lending efforts are largely concentrated in residential real estate lending. The loan portfolio is comprised of 74% real estate loans, 17% commercial and industrial loans, and 9% installment loans. Net loans represented 69% of total assets.

The bank does not have any legal or financial factors impeding its ability to help meet the credit needs in its assessment area. Net income as of September 30, 1999 was \$1.7 million, and Tier One Capital was \$27 million or 6.5% of total assets. However, the bank's level of earnings has resulted in the bank having limited resources to meet the credit needs of its assessment area. As of December 31, 1999, the bank's Return on Average Assets (ROAA) was .47% while the national peer group was 1.24%. The bank's ROAA at September 30, 1999, has slightly improved from 1998 to .53%.

The bank received a satisfactory record of meeting its community credit needs at its last CRA examination dated November 14, 1997.

# **SCOPE OF THE EVALUATION**

## **Evaluation Period/Products Evaluated**

The evaluation period for the lending data covers January 1, 1998 through September 30, 1999. Information for the Investment and Services tests was considered up to November 15, 1999. We considered the HMDA and small business loans originated by the bank during the evaluation period. Comparable data was taken from 1990 census data and 1998 HMDA aggregate reports. Horizon's assessment area has very limited agriculture. As such, the bank did not originate any small farm loans during this evaluation period. We evaluated the bank's community development loans under the HMDA and small business information as all of these types of loans were for the purpose of residential home purchase, home improvement, or small business.

## **Data Integrity**

We verified the accuracy of the bank's HMDA information by taking a sample of the HMDA register and comparing that information to actual loan files. We did not note any errors. We also verified the accuracy of the bank's small business data through a loan sample. We noted several errors in this data. The majority of the errors were errors of omission, as the bank did not include loans that should have been included. The publicly reported data submitted to government agencies for 1998 did not contain all of the small business loans originated by the bank. The data contained in Tables 1, 5, and 9 reflect the corrected information. Our analysis is based on the corrected information.

## **Selection of Areas for Full-Scope Review**

The bank has two assessment areas, Porter County, a MSA, and LaPorte County, a non- MSA. Each assessment area received a full-scope review. Refer to the table in Appendix A for more information.

## **Ratings**

The bank's efforts in LaPorte County weighted more heavily in determining the overall rating. A substantial majority of its business is generated in LaPorte County as depicted by 96% of its deposit base and 77% of the loans originated are from that county. The bank's main office and 145 out of 159 employees are based in LaPorte County.

## **Other**

We met with two community development corporations during our examination. We also reviewed a summary of a community contact with a housing organization that was completed in conjunction with an evaluation of another institution operating within Horizon's assessment area.

The organizations were located in either Porter or LaPorte County, or serviced the same geographical area. All of the contacts indicated that the primary credit needs were affordable housing, assistance for low-income applicants with down payments and closing costs, and credit counseling. The contacts also revealed that given the level of resources and the asset size of the institutions located in this area, they did not receive as much assistance as they needed from some of the larger banks in the area, including Horizon.



## **FAIR LENDING REVIEW**

We reviewed home purchase mortgage loans originated from January 1, 1999 to September 30, 1999 to test the bank's compliance with anti-discrimination laws. We performed a comparative analysis of denied African American applicants with approved Caucasian applicants. No violations of the substantive provisions of anti-discrimination laws and regulations were identified. The bank has adequate fair lending policies and training in place that assist in preventing discrimination.

# CONCLUSION WITH RESPECT TO PERFORMANCE TESTS

## LENDING TEST

The bank's performance under the Lending Test is rated **High Satisfactory**. Based on our full scope review, the bank's performance in LaPorte County, a non-MSA is good, and its performance in Porter County (Gary MSA #2960) is adequate. Our conclusions are based on the following:

- ❑ Lending volumes reflect a good responsiveness to credit needs in the assessment area.
- ❑ A substantial majority of the bank's loans are made within its assessment area.
- ❑ The distribution of lending to borrowers of different income levels, and businesses of different sizes is good.
- ❑ The bank uses flexible loan products to identified credit needs in its assessment area.
- ❑ The bank makes an adequate level of community development loans.

## Lending Activity

Horizon's lending activity reflects a good responsiveness to credit needs in the assessment area. The bank's loan-to-deposit ratio as of 6/30/99 was 87%. The ratio for the bank's national peer group was 76%. Of the real estate loans Horizon made this evaluation period, 89% was originated within the assessment area. Horizon also originated 76% of its small business loans within its assessment area. Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

### *LaPorte County*

Most of Horizon's lending activity (77%) occurs in LaPorte County. Residential real estate loans represented about 81% of the loans originated. The majority of the real estate loans made were for the purpose of refinance (61%).

Horizon ranked third among 125 lenders making home purchase loans in its assessment area, and ranked second among 40 lenders making loans in moderate-income geographies. When the overall market share of 9% is broken down by geography, the market share of loans made in moderate-income geographies slightly exceeds the overall share. There are no low-income geographies in LaPorte County according to most current census data which is dated 1990.

The bank held the highest market share in home improvement loans at 33% among 46 lenders making loans in LaPorte County. Home improvement loans made in the moderate-income geographies exceeded the overall market share at 45%, the highest market share within the different income geographies.

The bank ranked first in extending refinance loans among 197 lenders making loans in LaPorte County. Its overall market share of 14% compares favorably to its market share in moderate-income geographies of 13%.

### *Porter County-Gary, Indiana MSA#2960*

The bank's level of lending activity in Porter is good compared to the level of deposits received from this assessment area. Deposits from Porter County represents only 4% of the bank's deposit base compared to 22% of the loans. Real Estate loans accounted for about 88% of the loans made in this assessment area. Refinance loans were also the majority of the residential real estate loans. Home purchase loans accounted for 36% of the real estate loans originated.

Horizon has a small market share of the home purchase loans in Porter. Its rank was 14 out of 203 lenders with only a 2% market share. There are no low-income geographies in Porter County.

Horizon's overall market rank for home improvement loans is good at four out of 54 lenders. However, its market share is only 6%.

The bank's overall market share for refinance is similar to that of home purchase loans. Its market share is only 2%.

## **Distribution of Loans by Income Level of Geography**

Horizon's geographic distribution of home mortgages and small business loans is good. Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data used to draw these conclusions. A review of the data reveals that no lending gaps exist within either assessment area.

### **Home Mortgage Loans**

#### ***LaPorte County***

The distribution of home purchase loans to different income geographies is good when compared to the owner-occupied characteristics of LaPorte. Loans are almost evenly disbursed throughout the assessment area according to the number of owner-occupied housing units located in each of the geographies.

Horizon's distribution of home improvement loans is excellent, particularly in the moderate-income geography. The percentage of loans made in moderate-income geographies exceeds the percentage of owner-occupied units.

Although the bank's market share for refinance loans is excellent, the percentage of refinance loans in moderate-income geographies compared to the number of owner-occupied housing units is not as good. Horizon's refinance loans extended in moderate-income geographies falls below the total of owner-occupied units in moderate-income geographies.

As indicated above, there are no lending gaps within this AA. This is true for each individual product reviewed and analyzed.

#### ***Porter County-Gary, Indiana MSA#2960***

The distribution of home purchase loans to different income geographies is good when compared to the owner-occupied characteristics of Porter. As discussed in the summary of LaPorte, loans are almost evenly disbursed throughout the assessment according to the number of housing units located in each of the geographies. Of particular note however, is that only 1% of the owner-occupied units are in moderate-income geographies.

The bank made only 42 home improvement loans during this evaluation period. None of those loans were made in moderate-income geographies. This is not unreasonable given that only 1% of the owner-occupied housing units are in the moderate-income geographies.

The distribution of refinance loans is similar to that of the home purchase loans. The percentage of loans originated

meets the percentage of owner-occupied units.

As indicated above, there are no lending gaps within this AA. This is true for each individual product reviewed and analyzed.

## **Small Business Loans**

### ***LaPorte County***

Horizon originated an adequate level of small business loans. During the rating period, the bank originated 237 small business loans. Of the small business loans made, 15% were within moderate-income geographies. This level of lending compares unfavorably to the total percentage of small businesses located in the moderate-income tracts (27%) of the assessment area. Management could not explain the disparity between their performance and the number of potential business opportunities.

### ***Porter County-Gary Indiana MSA#2960***

Small business lending in moderate-income tracts also falls below the percentage of small business loans in moderate-income tracts in the assessment area. However, lending levels are closer to the assessment area demographics than the small businesses lending in LaPorte County. The bank originated 4% of its small business loans in moderate-income geographies compared to 7% of businesses meeting the definition of a small business.

## **Small Farm Loans**

As discussed under the Scope of Evaluation section of this performance evaluation, the bank did not make any small farm loans during this evaluation period.

## **Distribution of Loans by Income Level of the Borrower**

Horizon's distribution of lending to borrowers of different incomes, particularly low- and moderate-income is good as it is comparable to the income distribution of the assessment's area population. Horizon also extends a high level of small loans to businesses of varying sizes. The bank's record of lending to small businesses exceeds the percentage of small businesses in both counties and is considered good. Refer to Tables 7, 8, 9, and 10 in Appendix C for the facts and data used to draw these conclusions.

## **Home Mortgage Loans**

### ***LaPorte County***

Horizon's distribution of lending for home purchase loans to low-income borrowers is not as favorable as the distribution to moderate-income borrowers. Of the 222 home purchase loans made, about 7% were extended to low-income families and 22% was extended to moderate-income families. When compared to the family distribution of LaPorte, the level of lending to moderate-income borrowers exceeds the population demographics. About 17% of the families in LaPorte are moderate-income. Although the level of lending to low-income individuals falls below the demographics, this is reasonable for home purchase loans given the average cost of housing being more than 50% of the income level. The bank's market rank is third with an overall market share of 9%.

Home improvement lending is consistent with that of home purchase loans as the percentage of loans to low-income

families falls below population demographics, and the level of home improvement loans to moderate-income borrowers exceeds the population. As discussed under the lending activity section of this evaluation, the bank ranks first in home improvement loans with a market share of 33%. The largest portion of the market share is contributed to loans to low-income borrowers, 43%, and another 34% are contributed to moderate-income borrowers.

The distribution of refinance loans is not as favorable as loans to both low- and moderate-income borrowers falls below the demographics. The bank ranked first in refinance loans, with an overall market share of loans by borrower income is 14%. The percentage of market share contributed to low- and moderate-income borrowers is consistent with the overall level.

### ***Porter County-Gary Indiana MSA#2960***

The distribution of home purchase loans to low- and moderate-income borrowers is good as both are comparable to the level of low- and moderate-income families in Porter.

The distribution of home improvement loans is excellent for moderate-income borrowers as it far exceeds the population's demographics. However, only 2% of the home improvement loans made was extended to low-income borrowers. This level of lending is well below the level of low-income families in Porter.

The distribution of refinance loans is consistent with the distribution in LaPorte County.

### **Small Business Loans**

#### ***LaPorte County***

Based on demographic information, 74% of the businesses in the LaPorte assessment area are small businesses. Horizon's level of lending to small businesses is greater than the demographics (80%), it is also vastly higher than the level of small business lending by other institutions in Horizon's assessment area. Other institutions in the area have originated 58% of their business loans to small businesses. In addition, Horizon's penetration of businesses of different sizes is good. About 76% of the loans made to small businesses were in amounts of \$100 thousand or less. This level increases to 90% when loans originated in amounts up to \$250 thousand are included. The bank's market rank in this county is 7, placing it in the top twenty percent of the bank's with small business loans in this county. The rank is the same when reviewing loans to businesses with revenues less than \$1million.

### ***Porter County-Gary Indiana MSA#2960***

Based on demographic information, 74% of the businesses in the Porter assessment area are small businesses. Horizon's level of lending to small businesses is good as its lending is greater than the demographics (85%), it is also vastly higher than the level of small business lending by other institutions in Horizon's assessment area. However, the penetration of businesses of different sizes is excellent. About 82% of the loans made to small businesses were in amounts of \$100 thousand or less. This level increases to 95% when loans originated in amounts up to \$250 thousand are included. The bank's market rank in this county is 20 and is in the upper half of total lenders in this county. This rank increases to 18 when comparing loans to businesses with revenues less than \$1million and places the bank in the top forty percent of lenders.

## **Community Development Lending**

Horizon does extend loans for the purpose of community development. However, the loans made during this rating period were reported under HMDA or small business loans as required. These loans were analyzed as part of the respective areas.

## **Product Innovation and Flexibility**

Horizon uses innovative and flexible loan products to help meet the credit needs of low- and moderate-income borrowers within its assessment area. All of these programs are available in both LaPorte and Porter Counties. The qualifications may vary slightly as the median family income levels are not the same in both counties. These programs meet the credit needs identified by our community contacts. All of these programs were in place during the last evaluation period.

- ❑ The Fresh Start Program assists low- and moderate-income borrowers to establish credit. This program provides small dollar loans at low rates to allow individuals a chance to establish or re-establish a good credit history. The outstanding loans' balance as of September 30, 1999 was about \$500.
- ❑ The Refurbishment program is similar to Fresh Start, except the purpose of the loans are for home improvement. The outstanding loans' balance as of September 30, 1999 was \$39 thousand.
- ❑ The Care Provider program provides loans to day care providers for refurbishing their facilities. This program provides flexible standards in order to facilitate lending to child care providers in moderate-income areas. . The outstanding loans' balance as of September 30, 1999 was \$7 thousand.
- ❑ The Indiana Capital Access Program (CAP) provides loans to small businesses that do not qualify for conventional loans; portions of the loan payments are paid into a reserve to provide the lender with additional security. This program assists small businesses in LMI geographies. The outstanding loans' balance as of September 30, 1999 was about \$2.3 million.
- ❑ Government guaranteed loan programs such as Small Business Administration (SBA), Federal Home Administration (FHA) and Veteran's Administration (VA) are also used. The outstanding loans' balance of SBA loans at September 30, 1999 was \$2.7 million. The level of FHA/VA loans was \$1.3 million as of September 30, 1999 for both Porter and LaPorte Counties.
- ❑ Horizon also offers a first time homebuyers program, however, the bank does not track the number of real estate loans that were originated under this program. These loans are included and analyzed under HMDA loans.

## INVESTMENT TEST

The bank's performance under the investment test is rated **Low Satisfactory**. Based on our full scope reviews, the bank's performance in LaPorte County, a non-MSA is adequate and its performance in Porter County-Gary, Indiana MSA#2960 is also adequate. Our assessment factored in information we received during our community contacts as well as the opportunities available for Horizon. The bank's earnings level has limited the resources available to provide financial assistance to the community. This limitation has restrained the bank from pursuing investments related to community development due to rates of return being less than market returns. In addition, opportunities for local municipality investments are limited due to the non-activity within the evaluation period as well as the fact that the State of Indiana's Bond Bank program allows municipalities to obtain funds at a lower cost than can be provided in the private sector for all endeavors including those that would meet the definition of community development.

All of the investments benefited the bank's assessment areas. None of the investments were considered under any of the other tests. The bank did not request to have affiliate investments evaluated. Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

### *LaPorte County*

Horizon's investments are routine and noncomplex. The bank has one qualifying investment outstanding from the prior evaluation period: \$6,000 investment to help organize the Greater Michigan City Development Corp. This CDC provides funding opportunities for small businesses within the Michigan City area which may not qualify for bank financing at the time funds are needed. This investment will count until the Greater Michigan City Development Corp ceases operations. The remaining investments are through grants and donations to various service organizations that provide services to low- and moderate-income individuals. The bank made grants or donations to nine organizations during the review period. Donations (including the \$6,000 from the prior period) total \$100,000 and represents about .4% of Tier 1 capital. Private investors also routinely provide the types of grants and donations made by the bank. The bank's investments are in response to requests for assistance from community organizations. The bank does not approach the community in order to determine what community organizations may need to help support their operations due to limited availability of funds.

### *Porter County-Gary Indiana MSA#2960*

Horizon's investments are routine and noncomplex. The investments consist of grants and donations to various service organizations that provide services to low-and moderate-income individuals. The bank made grants or donations to seven organizations during the review period. Donations total \$12,000 and represents about .05% of Tier 1 capital. Although the total is not significant, the bank has a limited presence in Porter County. Only four percent of Horizon's total deposits originated within this county. Private investors also routinely provide the types of grants and donations made by the bank. The bank's investments are in response to requests for assistance from community organizations. The bank does not approach the community in order to determine what community organizations may need to help support their operations due to limited availability of funds.



## SERVICE TEST

The bank's performance under the Service Test is rated **Low Satisfactory**. We performed full-scope reviews on both of the bank's assessment areas. Based on these full-scope reviews, the bank's performance in LaPorte County is good and its performance in the Porter County-Gary, Indiana MSA#2960 is adequate. We based these conclusions on the following:

- ❑ Delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area.
- ❑ All services are available in every branch. Hours of operation do not vary in a way that inconveniences the assessment area.
- ❑ Branch office closings have not adversely affected the accessibility of bank services by low- or moderate-income individuals or geographies.
- ❑ The bank provides a satisfactory level of community development services in its assessment area.

## Retail Banking Services

The bank does a satisfactory job of making retail-banking services available through a variety of means including traditional brick and mortar branches, automated teller machines (ATM), and alternative delivery systems.

### *LaPorte County*

#### **Branches:**

Horizon Bank operates four full service branches in LaPorte County. The bank's branches are well distributed among the moderate-, middle-, and upper-income geographies in its assessment area when compared to the percentage of the population living in those geographies. As shown in Table 13, two or 50% of the bank's branches are located in moderate-income geographies. This is double the percentage of individuals living in those moderate-income census tracts.

#### **Record of Opening and Closing Branches:**

Horizon has not opened any branches in LaPorte County since its last CRA examination. The bank closed its branch located at 5477 Johnson Road, located in a middle-income tract, in January 1999. Access to bank services was not adversely effected because customers can use the 3631 Franklin Street branch less than five miles away.

#### **Alternative Delivery Systems:**

Horizon operates 26 ATM's (79% of its ATM network and 11 more since its last CRA examination) in LaPorte County. The bank's ATM's are well distributed among moderate-, middle-, and upper-income geographies. Twelve ATM's or 46% are located in moderate-income tracts, 10 or 38% are located in middle-income tracts, and four or 15% are in upper-income tracts. Six of the ATM's in the moderate-income tracts are located on the riverboat casino. Excluding the riverboat casino ATM's, the bank has twice as many ATM's (23%) in moderate-income tracts than the population that lives in those tracts (12.5%).

The bank makes alternative delivery systems available to customers including ATM's, bank-by-phone, and a loan production office. Each of these are discussed below.

- ❑ Bank-by-phone services are available through **Phonelink**, a 24-hour toll-free number that provides information on checking and savings accounts, certificates of deposit, loans, and other bank product information. Through **Phonelink** customers can obtain current account balances, and complete transaction histories, transfer funds, request statements, make loan payments, and obtain current and previous year's interest. There is no data available on the use of **Phonelink** by low- and moderate-income customers. The bank offers a low cost checking account geared to low- and moderate-income individuals that is discussed under the *Service and Hours* section of this evaluation. Since no data is available to measure its effectiveness for LMI individuals, we could not place significant weight on this element.
- ❑ In March 1999, the bank opened a loan production office (LPO) in Merrillville. The LPO makes mortgage loans and handles all government mortgage products such as FHA loans. Since no data is available to measure its effectiveness for LMI individuals, we could not place significant weight on this element.

### **Services and Hours :**

Business hours and services do not vary in a way that inconveniences the assessment area, particularly low- and moderate-income individuals and geographies. All branches are open Monday through Friday from 9:00am to 5:00pm.

The LaPorte and South Franklin branches, located in moderate- and middle-income tracts, are open Friday until 6:00pm and Saturday from 9:00am to 1:00pm. The general banking services discussed below are available at all the LaPorte County branches:

- ❑ A wide variety of checking, savings and money market accounts including an economical account named **Value Checking**. **Value Checking** is a low cost checking account that has no minimum balance requirements, no monthly service fee, and 10 free check transactions per month.
- ❑ Mortgage, consumer, commercial and agricultural loans. To enhance its mortgage loan product line, the bank became a certified FHA lender in 1998. All FHA loans are currently handled out of the Merrillville LPO; however, the bank is in the process of certifying additional FHA lenders. The bank also offers several flexible and innovative loan products that are discussed under the Lending Test section of this evaluation. Mortgage originators and commercial loan officers will schedule appointments at times and places convenient to customers including weekends, evenings and by appointment. Consumer loan officers will also schedule loan closings after bank hours to meet customer needs.
- ❑ Card services including ATM cards, debit cards, and credit cards. Not much weight was provided for these services, as data is not available to indicate specific benefits to LMI individuals.

### ***Porter County - Gary, Indiana MSA #2960***

#### **Branches:**

Horizon Bank, N.A. operates four full service branches in Porter County. Two branches are located in middle-income tracts and two are located in upper-income tracts. Both branches located in the upper-income tracts also have a drive-through facility. In Porter County, 96% of the population lives in middle- and upper-income tracts as shown in Table 13. The location of these four branches provides reasonable access to assessment area residents.

The one moderate-income tract in Porter County is located within a few miles of the bank's South Valparaiso branch.

### **Record of Opening and Closing Branches:**

The bank opened one branch and closed one branch in Porter County since its last CRA examination. The bank closed the North Valparaiso Office at 3125 North Calumet and opened another branch less than one mile away at 4208 Calumet Avenue in April 1999. Because of the close proximity of these two branches, accessibility to bank services was not adversely affected. Both branches are located in upper-income tracts.

### **Alternative Delivery Systems:**

Horizon operates seven ATM's (21% of its ATM network) in Porter County. Four ATM's are located in middle-income tracts and three are located in upper-income tracts. In Porter County, 96% of the population lives in middle- and upper-income tracts as shown in Table 13.

Other alternative delivery systems available in Porter County are the same as those discussed under LaPorte County.

### **Services and Hours :**

Business hours and services are the same in all four Porter County branches. All four branches are open Monday through Friday from 9:00am to 5:00pm and Saturday from 9:00am to 1:00pm. General banking services discussed under LaPorte County are also available at all of the Porter County branches.

### **Community Development Services**

The bank provides an adequate level of community development services.

#### ***LaPorte County***

The bank provides various community development services in LaPorte County. These services primarily relate to providing technical assistance, training and fund raising activities to various community development activities. Examples include:

- ❑ Assistance to a CDC that provides affordable housing for low- and moderate-income households, and prepares these families for home ownership. Horizon Bank employees lend their expertise to the CDC by membership on the board of directors and teaching First Time Homebuyers classes.
- ❑ A bank employee is a board member of an organization that provides low cost loans to LaPorte County small businesses for expansion and job retention.
- ❑ Two bank employees serve as board members of local Economic Development Corporations in the assessment area that brings private and public sectors together for economic development. Part of the organization provides funding for small businesses. One employee has served as the Chairperson for the last two years.
- ❑ Local Elementary School - 15 bank employees teach banking-related sessions at this year-round school. Of the 335 students attending the school, approximately 60% are low- to moderate-income based on eligibility for lunch subsidies. The school is located in a moderate-income tract.

***Porter County - Gary, Indiana MSA #2960***

Bank employees provided technical expertise to the following organization:

- A bank employee is on the board of directors of a local CDC, which provides low cost housing in the assessment area.

## APPENDIX A: SCOPE OF EXAMINATION

<b>Time Period Reviewed</b>	January 1, 1998 through September 30, 1999		
<b>Financial institution</b>  Horizon Bank, N.A.			<b>Products reviewed</b>  Mortgage loans, home improvement loans, small business loans
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Branches Visited</b>	<b>Other Information</b>
LaPorte County	Full scope		Non-MSA
Porter County	Full scope		Gary, Indiana MSA#2960

## APPENDIX B: Market Profiles for each Assessment Area

Horizon bank has identified two adjacent counties, LaPorte and Porter, as its assessment area based upon the area it serves and the location of its offices.

### LaPorte County - Non-Metropolitan Statistical Area

Demographic Information for Full-Scope Area: LaPorte County - Non-Metropolitan Statistical Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	29	0%	17%	55%	28%	0%
Population by Geography	107,066	0%	13%	62%	25%	0%
Owner-Occupied Housing by Geography	28,132	0%	10%	60%	30%	0%
Businesses by Geography	3,972	0%	27%	53%	20%	0%
Farms by Geography	340	0%	4%	67%	29%	0%
Family Distribution by Income Level	27,915	16%	17%	23%	44%	0%
Distribution of Low- and Moderate- Income Families throughout AA Geographies	9,205	0%	19%	63%	18%	0%
Median Family Income = \$30,800		Median Housing Value = \$55,282				
HUD Adjusted Median Family Income for 1999 = \$43,600		Unemployment Rate (1995) = 5.2%				
Households Below the Poverty Level = 9.96%						

Source: 1990 U.S. Census and 1999 HUD updated MFI.

Competition in LaPorte County is strong. Several regional banking companies (BankOne, Norwest, and First Source) have a presence in the Bank's market area. Horizon is the only bank headquartered in Michigan City. Several area savings institution and credit unions also contribute to the competition. These institutions are located within close proximity to each of the bank's branches. In most instances a competitor is within one to five miles from one of Horizon's branches. In addition to the banks with branches within Horizon's assessment area, there are several hundred financial institutions extending credit within this market.

This County consists of the cities of Michigan City and LaPorte and various townships. There are five moderate-income census tracts (17%), 16 middle-income census tracts (55%), and eight upper-income census tracts (28%) in LaPorte County.

LaPorte County has a 5.2% unemployment rate for 1995 compared to the State rate of 4.4% and the National rate of 5.6%. The work force is primarily blue collar. Unemployment levels and other economic indicators are in line with national averages. The local economy is strong. LaPorte County has 4,312 businesses with 92% being Non-Farm businesses. Of these Non-Farm businesses, more than half the business have revenues less than one million dollars and are within the Retail Trade and Services sectors. Over 62% of these Non-Farm businesses have less

than 5 employees while over 80% have only one business location. Tourism has become an important industry through shopping centers, outlet malls, and a riverboat gambling casino.

## Porter County, Gary, Indiana MSA #2960 Area

Demographic Information for Full-Scope Area: Porter County - Gary, Indiana MSA #2960						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	17	0%	6%	53%	35%	6%
Population by Geography	128,932	0%	4%	62%	34%	0%
Owner-Occupied Housing by Geography	33,963	0%	1%	61%	38%	0%
Businesses by Geography	4,446	0%	7%	64%	29%	0%
Farms by Geography	276	0%	1%	71%	28%	0%
Family Distribution by Income Level	34,794	13%	16%	25%	46%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	10,237	0%	3%	73%	24%	0%
Median Family Income = \$36,921		Median Housing Value = \$71,590				
HUD Adjusted Median Family Income for 1999 = \$52,400		Unemployment Rate (1995) = 4.2%				
Households Below the Poverty Level = 6.42%						

Source: 1990 U.S. Census and 1999 HUD updated MFI.

The bank's lending activity and number of geographies is much smaller in Porter County. Competition is considered aggressive with several of the same regional institutions discussed under LaPorte County also being present in Porter County. In addition to the banks with branches within Horizon's assessment area, there are several hundred financial institutions extending credit within this market. The County consists of the cities of Portage and Valparaiso and various townships.

Porter County has one moderate-income census tract (6%), nine middle-income census tracts (53%), six upper-income census tracts (35%), and one uninhabited census tract (6%).

Porter County has a 4.2% unemployment rate for 1995 compared to the State rate of 4.4% and the National rate of 5.6%. The work force is primarily blue collar. Unemployment levels and other economic indicators are slightly better than national averages. The local economy is strong. Porter County has 4,722 businesses with 94% being Non-Farm businesses. Of these Non-Farm businesses, more than half the businesses have revenues less than one million dollars and are with the Retail Trade and Services sectors. Over 61% of these Non-Farm businesses have less than 5 employees while over 83% have only one business location. Tourism has become an important industry through the Indiana Dunes National Lakeshore, shopping centers, and outlet malls.

## Appendix C: Tables of Performance Data

### Intent of Standardized Tables

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References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the



percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

### Table 1. Lending Volume

[illegible]

**Table 2. Geographic Distribution of Home Purchase Loan Originations**

Geographic Distribution: HOME PURCHASE    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	0	0	1	1.7	61	63.5	38	34.8	14	1.9	0	2.0	2.2	1.6	115	34.1
LaPorte County, Indiana	0	0	10	8.6	60	59.0	30	32.4	3	9.1	0	9.6	8.4	10.3	222	65.9
Limited Scope:																

(\*) Based on 1998 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	0	0	1	0	61	59.5	38	40.5	4	6.3	0	0	6.1	6.7	42	19.8
LaPorte County, Indiana	0	0	10	14.1	60	54.1	30	31.8	1	32.8	0	45.3	27.7	40.3	170	80.2
Limited Scope:																

(\*) Based on 1998 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	0	0	1	1.8	61	53.5	38	44.9	9	2.3	0	3.9	2.2	2.3	165	21.2
LaPorte County, Indiana	0	0	10	6.2	60	56.2	30	37.6	1	14.1	0	12.6	12.7	17.5	612	79.8
Limited Scope:																

(\*) Based on 1998 Aggregate HMDA Data only.

**Table 5. Geographic Distribution of Small Business Loan Originations**

Geographic Distribution: SMALL BUSINESS    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	0	0	7.5	4	63.7	71	28.8	24	20	.4	0	0	.5	.3	45	15.6
LaPorte County, Indiana	0	0	26.5	15	53.1	56	20.4	27	7	3.9	0	3.1	3.8	3.5	237	84.4
Limited Scope:																

(\*) Based on 1998 Aggregate Small Business Data only.

**Table 6. Geographic Distribution of Small Farm Loan Originations**

Geographic Distribution: SMALL FARM    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	0	0	1.1	0	71.0	0	27.9	0	N/A	0	0	0	0	0	0	0
LaPorte County, Indiana	0	0	3.5	0	67.1	0	29.4	0	N/A	0	0	0	0	0	0	0
Limited Scope:																

(\*) Based on 1998 Aggregate Small Farm Data only.



**Table 7. Borrower Distribution of Home Purchase Loan Originations**

Borrower Distribution: HMDA HOME PURCHASE    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	13.4	13.0	16.0	17.4	24.5	23.5	46.1	46.1	14	1.9	4.5	2.0	1.9	2.4	115	34.1
LaPorte County, Indiana	15.8	6.8	17.2	22.1	23.4	30.6	43.6	39.5	3	9.1	8.4	12.5	10.0	10.8	222	65.9
Limited Scope:																

(\*) As a percentage of loans with borrower income information available.

(\*\*) Based on 1998 Aggregate HMDA Data only.

**Table 8. Borrower Distribution of Home Improvement Loan Originations**

Borrower Distribution: HOME IMPROVEMENT    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	13.4	2.4	16.0	30.9	24.5	28.6	46.1	38.1	4	6.3	1.9	11.4	5.8	5.7	42	19.8
LaPorte County, Indiana	15.8	9.4	17.2	19.4	23.4	27.1	43.6	41.1	1	32.8	43.2	34.4	31.5	31.5	170	80.2
Limited Scope:																

(\*) As a percentage of loans with borrower income information available.

(\*\*) Based on 1998 Aggregate HMDA Data only.

Charter Number: 2747

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE    State: INDIANA    Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Porter County, Indiana	13.4	3.0	16.0	13.9	24.5	20.6	46.1	32.4	9	2.3	1.4	2.6	2.0	3.0	165	21.2
LaPorte County, Indiana	15.8	6.4	17.2	13.7	23.4	24.5	43.6	55.4	1	14.1	13.1	12.7	15.0	18.1	612	79.8
Limited Scope:																

(\*) As a percentage of loans with borrower income information available.

(\*\*) Based on 1998 Aggregate HMDA Data only.

**Charter Number: 2747**

**Table 10. Borrower Distribution of Small Business Loan Originations**

Borrower Distribution: SMALL BUSINESS State: INDIANA Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999											
MSA /Assessment Area	Business with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full Scope:											
Porter County, Indiana	74	85	73	82	13	5	.4	.33	45	16	75.2
LaPorte County, Indiana	74	80	58	76	14	10	3.9	5.2	237	84	90.4
Limited Scope:											

(\*) As a percentage of businesses with known revenues.

(\*\*) As a percentage of loans with revenue information available. No information was available for 6% of loans originated by BANK.

(\*\*\*) The market consists of all other Small Business reporters in BNK's assessment area and is based on 1998 Aggregate Small Business Data only.

(\*\*\*\*) Based on 1998 Aggregate Small Business Data only.

**Table 11. Borrower Distribution of Small Farm Loan Originations**

Borrower Distribution: SMALL FARM State: INDIANA Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999											
MSA /Assessment Area	Farm with Revenues of \$1 million or less			Loans by Original Amount regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full Scope:											
Porter County, Indiana	96	0	81	0	0	0	0	0	0	0	0
LaPorte County, Indiana	95	0	87	0	0	0	0	0	0	0	0
Limited Scope:											

(\*) As a percentage of Farms with known revenues.

(\*\*) As a percentage of loans with revenue information available. No information was available for XX% of loans originated by BANK.

(\*\*\*) The market consists of all other Small Farm reporters in BNK's assessment area and is based on 1998 Aggregate Small Farm Data only.

(\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.

**Charter Number: 2747**

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: INDIANA Evaluation Period: JANUARY 1, 1998 to SEPTEMBER 30, 1999									
MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full Scope:									
Porter County, Indiana	0	0	0	7	12	100	7	12	11
LaPorte County, Indiana	1	6	6	8	94	94	9	100	89
Limited Scope:									

(\*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(\*\*) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

**Table 13. Distribution of Branch and ATM Delivery System**

[illegible]

