



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

May 2, 1997

Community Reinvestment Act Performance Evaluation

**First National Bank
Charter # 14519**

**322 North Main Street
P.O. Box 9012
Kokomo, Indiana 46904**

Office of the Comptroller of the Currency

**Indianapolis Duty Station
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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.

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 CRA performance of **First National Bank** prepared by **The Office of The Comptroller of the Currency**, the institution's supervisory agency, as of **May 2, 1997**. 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 C.F.R. Part 25.

This Performance Evaluation considers CRA activity occurring since the May 31, 1995 Performance Evaluation. The bank was rated outstanding at that time.

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

First National Bank (FNB) has demonstrated a strong commitment and ability to provide credit and services to low- and moderate-income residents within its assessment area and to promote economic development and revitalization of low- and moderate-income areas. Community development loans and services, particularly within FNB's primary trade area, have resulted in neighborhood and economic revitalization in low- and moderate- income areas.

In conjunction with this evaluation, testing of loans was performed to determine the bank's adherence to fair lending principles. No evidence of discriminatory practices was found.

There are no legal or financial impediments which would affect the bank's CRA performance.

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

Performance Levels	First National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High satisfactory			
Low satisfactory		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.

Description of Institution

FNB is owned by Hasten Bancshares, Inc., a two bank holding company. FNB is headquartered in Kokomo, Indiana with total assets of \$555 million as of December 31, 1996. Kokomo is located in central Indiana, 40 miles north of Indianapolis, and is in the Kokomo Metropolitan Statistical Area (MSA) #3850. Hasten Bancshares operates three subsidiaries, FNB, a state bank headquartered in Sullivan, Indiana, and an investment services subsidiary. The largest portion of FNB's loans are concentrated in Howard County. No similarly situated banks operate within the bank's assessment area. Primary competition is provided by seven multi-billion dollar banks, five large mortgage companies, and two small community banks.

FNB operates 13 full service offices, two motor banks, and five free standing automatic teller machine (ATM) locations within its assessment areas. The branching network includes the following:

- The bank's main office and four branches in Kokomo (Howard County)
- Two branches in the City of Marion (Grant County)
- One branch in Tipton (Tipton County)
- One branch in Carmel (Hamilton County)
- One branch in the Indianapolis Township of Pike
- In Morgan County, the bank has two branches in Martinsville and one in Mooresville.

Description of Assessment Areas

FNB serves two assessment areas. These assessment areas, the Northern Region and the Southern Region, are described below.

Northern Region

The largest assessment area (Northern Region), is comprised of Kokomo MSA #3850 (Howard and Tipton Counties) and the northern portion of Indianapolis MSA #3480, which includes Hamilton County's Jackson, Washington, Noblesville, Clay and Delaware Townships, and Pike Township in Marion County (Indianapolis), Indiana. Grant County, which is not located within an MSA, is also included in this assessment area.

Seventy-five percent of FNB's loan portfolio is located within the Northern Region. Howard County, with a population of approximately 80,000 represents the largest segment of the bank's community. Howard County's economy is dependent on automotive related manufacturing, with a significant presence by both Chrysler Motors and Delco Electronics. Combined, Chrysler and Delco employ approximately 16,500 people or 44% of the city of Kokomo's workforce. The economy within the entire region is diversified among agriculture, light manufacturing, retail service, and professional service sector businesses.

Geographically, the Northern Region is comprised of one low- income census tract, nine moderate- income census tracts, thirty-two middle- income census tracts, and twenty-six upper-income census tracts. Median family income for the Kokomo and Indianapolis MSAs is \$42,700 and \$46,600 respectively. Within the assessment area 15% of families are low-income, 15% are moderate- income, 23% are middle- income, and 47% are upper- income. Sixty-four percent of housing within the region area is owner occupied. The median housing price is \$59,800.

Southern Region

FNB's second assessment area, the Southern Region, is comprised of central Indiana's Morgan County. With a population of 56,000, this assessment area is located in the southwestern portion of Indianapolis MSA #3480. Thirteen percent of FNB's loan portfolio originated in Morgan County. Morgan County has two moderate-income census tracts and eight middle-income census tracts. As noted above, the median family income for the Indianapolis MSA is \$46,600. Eighteen percent of the county's families are low-income, 19% are moderate- income, 28% are middle-income, and 35% are upper-income families. Within the area, 75% of housing is owner occupied and the median home value is \$59,350.

Morgan County's primary city is Martinsville. Martinsville has a population of 12,000 and is located 30 miles west of Indianapolis. A significant portion of Morgan County's residents are employed in Indianapolis.

Loan Portfolio Composition

The composition of FNB's \$390 million loan portfolio as of December 31, 1996 is detailed in **Figure 1**. In addition to the loans retained in the bank's portfolio, FNB is an active participant in the origination, sale and servicing of residential real estate mortgages to the secondary market. In 1996, FNB sold 455 loans, aggregating \$31.5 million, to the secondary market. Between March 31, 1995 and December 31, 1996, FNB's loan-to-deposit-ratio remained stable and averaged 84%. The December 31, 1996 loan-to-deposit ratio for the thirty-four Indiana banks with total assets between \$250 million and \$ 1 billion averaged 83%.

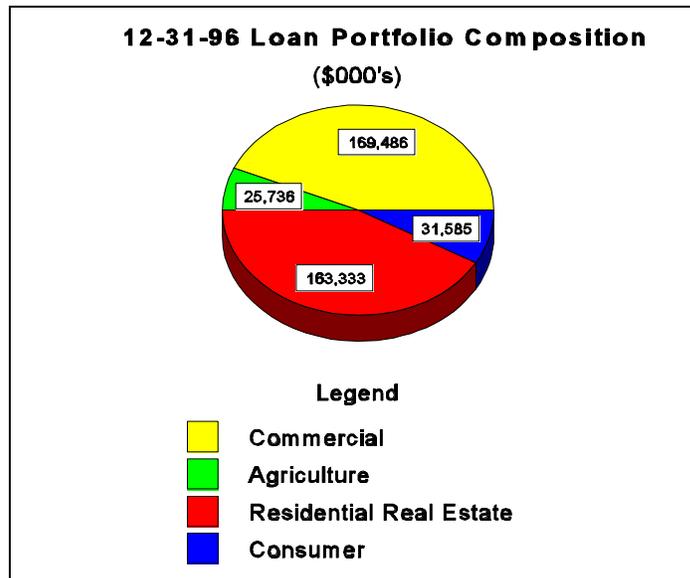


Figure 1

Conclusions with Respect to Performance Tests

Our evaluation of the bank's performance with the CRA included determination of the credit needs within the bank's assessment areas. In ascertaining these needs, we considered information provided by representatives of organizations which provide services to low- and moderate-income (LMI) residents and small businesses within the assessment area. Additionally, published information provided by a social service organization was also utilized. The primary credit needs of the community are affordable housing, small business/economic development, and financial/credit counseling services. Our review of the bank's assessment areas and discussions with community contacts revealed limited opportunity to participate in qualifying investments.

LENDING TEST - Overall

The lending test provides the most substantive consideration in evaluating the bank's CRA performance. Consideration is given to the bank's origination of credit within its assessment areas, the extension of credit to LMI areas within the assessment areas, the level of credit provided to LMI borrowers and small businesses and farms, and credit provided for community development. Overall, our review found that FNB's lending activity demonstrates:

- excellent responsiveness to credit needs in its assessment areas in part by utilizing innovative and flexible credit products
- a significant level of loans are made in low- and moderate-income geographies within the assessment area
- the level and distribution of credit to small businesses and farms is excellent
- a significant majority of loans are originated within the assessment area
- the distribution of loans among borrowers of different income levels is reasonable
- the level of community development loans is excellent

Performance Criteria:

Lending Activity

Based on the level and distribution of credit within the assessment area, we found that FNB demonstrates excellent responsiveness to serving the area's credit needs. The level of loans originated within the assessment area is good and detailed in **Table 1**.

Table 1				
Loans Originated Inside the Assessment Area				
(\$000's)				
	Home Mortgage	Small Business	Small Farm	Total
Number				
Loans Inside the Assessment Area	886	732	209	1,827
Total # of Loans	1,025	893	257	2,175
% Inside the Assessment Area	86%	82%	81%	84%
Dollars (000's)				
Loans Inside the Assessment Area	\$58,509	\$79,040	\$12,068	\$149,617
Total \$ Loans	\$68,554	\$101,857	\$14,931	\$185,342
% Inside the Assessment Area	85%	78%	81%	81%

Source: FNB's HMDA-LAR; 1996 Small Business/Farm Data Collection Register

Geographic Distribution

The geographic distribution of loans originated by FNB reflects excellent penetration throughout the assessment areas. The analyses are based on the location of home loans, and small business and farm loans originated by the bank. The distribution of small business loans and home loans to LMI areas is excellent.

Small Business and Small Farm Loans

FNB originates a sizeable level of small business loans in LMI areas. Within the assessment areas, the distribution of loans to small businesses and farms in the low- income tract totaled \$6.5 million (7%), loans in moderate-income areas totaled \$12 million (13%), loans in middle-income areas totaled \$53 million (58%), and \$19.5 million (22%) was originated in upper-income tracts. The single low-income tract and an adjacent moderate-income tract within the City of Kokomo constitutes a designated Urban Enterprise Zone; overall, fifty loans totaling \$6 million, were originated within this Urban Enterprise Zone during 1996. Two percent of the \$12 million extended to small farms were in LMI areas. No discernable number of farm households are located within the area's LMI tracts.

As **Table 2** demonstrates, the percentage of loans made to small businesses located in LMI areas is strong. Our analysis revealed that 22% of the number of loans made during 1996 were in LMI areas. Low or moderate-income tracts represent 15% of all tracts in the assessment area.

Table 2				
Small Business Loans in LMI Areas				
	# in low- income tracts	# in moderate- income tracts	Total Loans # Originated	% in LMI tracts
Northern Region	54	90	638	23%
Southern Region	NA	15	94	16%
Total	54	105	732	22%

Source: 1996 Small Business/Small Farm Data Collection Register

Home Mortgage Loans

The distribution of credit to LMI areas is excellent. FNB originated 17% of home loans in LMI areas. By volume, 11% of home loans were extended within LMI tracts. Overall, 12% of the area's owner occupied housing units area are in moderate-income areas; virtually no owner occupied homes are located in the single low-income tract. The dispersion of home loans throughout the area is good. Home loans are distributed throughout the assessment areas although only a few home loans were extended within the City of Noblesville and Pike Township (Indianapolis). According to the bank, minimal presence in these areas is attributed to strong competition. **Table 3** illustrates the geographic distribution of home loans made throughout FNB's assessment areas.

Table 3 Geographic Distribution of Home Loans					
	# loans in area	% of total	Dollars (000's)	% of total	% of owner-occupied housing units
Low-income Tracts	2	0%	\$ 144	0%	less than 1%
Moderate-Income Tracts	152	17%	\$ 6,550	11%	12%
Middle-Income Tracts	509	57%	\$31,245	53%	52%
Upper Income Tracts	223	26%	\$20,570	36%	36%

Source: 1996 HMDA-LAR

During 1995, FNB held the highest market share, among over 200 lenders, of home loans originated in LMI areas within the Northern Region. Eleven percent of owner occupied homes in the Northern Region are located in LMI tracts. In the Southern Region (Morgan County), 13% of owner occupied homes are in moderate-income tracts. Analysis of 1995 market share information reveals that in the Northern Region, FNB originated almost 9% of all home loans extended to LMI areas. FNB's overall market share in that area is 4%. Loans extended within Morgan County are likewise strong as FNB originated 15% of the home loans made in LMI areas compared to an overall market share of 6%. The geographic distribution of home loans between the assessment area's two regions are illustrated in **Table 4**.

Table 4					
Geographic Distribution of Home Loans by Region					
	Census Tract Income				
	Low-income tract	Moderate-income tract	Middle-income tract	Upper-income tract	Total
Northern Region					
Number	2 (0%)	108 (15%)	369 (53%)	223 (32%)	702 (100%)
Dollars (000s)	\$144 (0%)	\$4,600 (10%)	\$22,066 (47%)	\$20,570 (43%)	\$47,380 (100%)
Southern Region					
Number		44 (24%)	140 (76%)		184 (100%)
Dollars (000s)		\$1,950 (18%)	\$9,179 (82%)		\$11,129 (100%)

Source: 1996 HMDA-LAR

Borrower Characteristics

We evaluated loans by borrower characteristics to determine the extent FNB provides credit to LMI borrowers and small businesses and farms. This analysis found that a substantial level of small loans are provided to businesses and farms and that the bank lends to businesses of varying sizes; the distribution of FNB's home mortgages to low- and moderate-income borrowers is comparable to the income distribution of the assessment area's population.

Small Business and Small Farm Lending

The distribution of FNB's loans to small businesses and small farms indicates that an excellent level of credit is provided to small businesses and farms. **Table 5** shows that a significant majority of loans were made to businesses and farms having less than \$1 million in annual revenues. Review of demographic information revealed that over 90% of businesses within FNB's assessment area employ fewer than fifty employees.

TABLE 5				
Loans to Businesses and Farms With Revenues less than \$ 1 million				
(\$ millions)				
Type of Loan	Number	% of Total	\$ Amount	% of Total
Small Business Loans	536	84%	\$50	72%
Small Farm Loans	190	91%	\$10.2	85%

Source: 1996 Small Business/Small Data Collection Register

Loan size provides a correlation with the size of the business. Based on our analysis of the bank's 1996 Small Business Data Collection Register, FNB's distribution of small business loans to borrowers of varying sizes is considerable. As presented in **Figure 2**, approximately 70% of small business borrowers were granted loans in amounts less than \$100,000. In

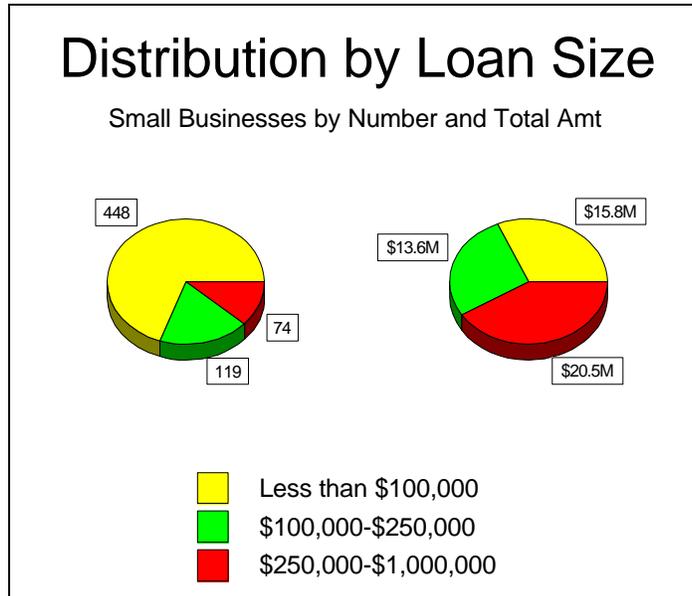


Figure 2

aggregate, these small loans represent 32% of the dollars provided.

Analysis of the bank's \$12 million extension of small farm loans indicated that a significant majority of farm borrowers were granted small dollar loans in 1996.

Home Mortgages

The bank's distribution of home loans among borrowers of various income levels is generally comparable to the population's income distribution characteristics. Within the entire assessment area, FNB extended 25% of home loans originated in 1996 to LMI borrowers; 30% of the area's families are low- and moderate-income. As detailed in **Table 6**, 22% of loans originated in the Northern Region were provided to LMI borrowers while LMI borrowers received 37% of home loans in the Southern Region. The distribution of loans to borrowers is comparable in both regions to the level of moderate-income families. Among low-income borrowers, FNB originated loans at a comparable level in the Southern Region and below the population's characteristics in the Northern Region.

Table 6 Distribution of Home Loans by Borrower Income Levels								
	Borrowers' Income							
Number	<u>Low</u>		<u>Moderate</u>		<u>Middle</u>		<u>Upper</u>	
Amount (000s)	Amt	%	Amt	%	Amt	%	Amt	%
Northern Region	52	7%	102	15%	236	34%	312	44%
\$\$	1,864	4%	4,886	10%	14,532	31%	26,095	55%
Family Income Distribution	15%		15%		23%		47%	
Southern Region	28	15%	40	22%	67	36%	49	27%
\$\$	784	7%	2,026	18%	3,811	34%	4,508	41%
Family Income Distribution	18%		19%		28%		35%	

Source: 1996 HMDA-Lar Report

Analysis of 1995 market information revealed that within the Northern Region, FNB's market share among LMI borrowers was comparable to the bank's overall market share. The bank had the highest market share (14.6%) of home loans among LMI borrowers in Howard and Tipton Counties where 62% of its home loans were originated during 1995. Market share in the Southern Region among LMI borrowers was slightly above overall market share in that area.

Community Development Lending

Considering the bank's size and competitive environment, we determined that FNB originates a substantial level of community development loans in response to identified credit needs. Community development loans are those loans which provide credit for development of LMI areas or support to LMI residents. During the evaluation period the bank extended credit for the following community development purposes.

- Three loans totaling \$205,000 were provided to Azusa Community Development Corporation (CDC) to provide funding for construction or rehabilitation of affordable housing in LMI areas of Kokomo.
- One loan was extended for \$230,000 to Bona Vista Programs, Inc., a nonprofit corporation which provides affordable housing to disabled Kokomo area residents

with no or very low-income.

- FNB funded one loan, for \$8,000, to the Marion Main Street loan pool. This pool provides qualified business owners in Marion's business district (moderate-income area) to improve building structures and facades with low cost financing.
- The bank originated one \$8,000 loan to Community Rehabilitation of Marion to provide affordable housing to low- and moderate-income residents. Financing was provided at a beneficial interest rate.

Innovative or Flexible Lending Practices

FNB provides a sizeable number of flexible loan programs to extend credit to LMI borrowers and geographies. Specific programs are available to provide affordable credit for home loans and small business development.

- **Home Ownership Made Easy**

In cooperation with Azusa CDC, the bank provides affordable home purchase loans to Kokomo area borrowers having less than the median family income. Closing costs do not exceed \$1,000 and borrowers are not required to have a cash down payment. Using this program, the bank extended twelve loans totaling \$400,000 to qualified buyers during the evaluation period. All homes are located in moderate-income tracts. Among the borrowers, one was low-income, seven were moderate-income, and four were middle-income. The bank began offering this program in 1995.

- **Government Guaranteed Loan Products**

The bank offers loans guaranteed in part by the Small Business Administration (SBA), Veterans Administration (VA), Federal Housing Authority (FHA), and Farmers Home Administration (FmHA). FHA and VA loans provide home loans requiring minimal or no down payment requirements and affordable closing costs. During 1996, FNB originated 10 FHA loans totaling \$656,000 and 5 VA loans totaling \$428,000. FmHA provides credit to farm borrowers at favorable terms; one FmHA loan, for \$53,000 was extended during 1996. No SBA loans have been originated during the evaluation period, although 11 borrowers with over \$216,000 outstanding have SBA loans with the bank.

- **Freddie Mac Affordable Gold Loans**

The bank began offering this product in 1997. To date, two loans have been funded totaling \$69,000. This program allows banks to offer an affordable housing product which meets secondary market guidelines. Borrowers with less than 100% of the area's median family income may use nontraditional down payment sources to meet the 3% down payment requirement. Additionally, nontraditional underwriting may be considered. Private mortgage insurance requirements for this product vary based on loan terms.

- **Main Street Revitalization**

The bank has financed acquisition and renovation of empty stores located in

downtown Kokomo, part of the Urban Enterprise Zone. Revitalization loans are provided with reduced down payment requirements and alternative real estate appraisal considerations. Projects financed by FNB have included conversion of vacant or dilapidated buildings into condominiums and office space and rehabilitation of the abandoned former City Building. During the evaluation period, FNB originated \$2 million for specific downtown revitalization projects. Approximately forty properties have been financed to date.

INVESTMENT TEST - Overall

Through the needs assessment process we determined that there is limited opportunity for FNB to participate in qualified investments within its assessment area. We found that FNB adequately provides investment in its communities through donations and grants. Included in consideration of CRA performance is direct investment in, or funding of, entities which provide services to LMI residents in the assessment area or development of LMI areas. During the evaluation period the bank provided support as follows:

- Through a cooperative effort with AZUSA Community Development Corporation and several other local organizations, FNB matches grants subsidized by the Federal Home Loan Bank of Indianapolis to provide down payments for qualified Home Ownership Made Easy borrowers. FNB has matched grants totaling \$30,000 to assist 11 home buyers during the evaluation period. The program was implemented in 1995.
- To promote economic development, the bank has provided \$3,500 in donations to Economic Development Corporations in Howard and Grant Counties.
- During the evaluation period, FNB donated \$22,000 to various organization which provide health, education, and social services to LMI residents in the assessment area. Included among these organizations is the Clinic of Hope health care facility which provides free services to LMI residents.
- The bank has provided \$13,000 to the Quest Scholarship Program. This scholarship program provides tuition assistance to LMI students attending IVY Tech State College in Kokomo.

No qualifying investment securities are currently held in the bank's investment portfolio.

SERVICE TEST-Overall

Analysis of FNB's banking services, and information provided by various community contacts, revealed that FNB's banking services are readily accessible to community residents and that FNB is a leader in providing community development services and neighborhood revitalization.

Branching Services

FNB's branch network includes 13 full service branches and five freestanding ATMs. The

location of branches clearly demonstrates FNB's commitment to serve residents of LMI areas. Eight branches (**62%**) serve LMI areas. Six of these branches are located in LMI areas and an additional two branches, located in the City of Marion (Grant County), are located in middle-income tracts contiguous and easily accessible by residents of two moderate-income areas. Banking hours provide direct service six days a week at all branch locations. Products and services, including trust, are offered at each branch. Bank by phone provides customers local phone access to account and transaction information on a 24-hour basis. FNB offers a Basic Checking product which provides low cost limited checking with no minimum balance requirements.

In July 1996, the bank opened a second branch in Marion, Indiana. The branch is located in a middle-income tract which is contiguous and serves two moderate-income areas. No offices have been closed since the last Performance Evaluation.

Community Development Services

The bank has provided the following community development services during the evaluation period:

- With several private and public sector entities, the bank has been instrumental in obtaining \$ 410,000 in grant monies and public funding which has funded infrastructure development for affordable housing. The project, located in a moderate-income tract in Kokomo, will provide fifteen owner-occupied manufactured homes to qualified residents. Development of the land has been completed. This project is expected to contribute significant revitalization to an area which has attracted illegal dumping and criminal activity. The bank has committed \$435,000 to finance the homes in conjunction with its Home Ownership Made Easy program.
- FNB contributes personnel support and sponsorship to several organizations which provide credit counseling to area residents. The bank has sponsored and participated in Home Buyer Education Sessions with Azusa CDC and participated in credit counseling seminars sponsored by North Central Indiana Consumer Credit Counseling Service. Several members of FNB's staff are active in organizations which promote economic development within local communities.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Kokomo Metropolitan Statistical Area #3850:

FNB's performance in meeting the credit needs of its assessment area within MSA 3850 is consistent with the overall rating assigned to FNB. FNB has demonstrated excellent responsiveness to meeting the credit needs throughout the area. The geographic distribution of loans reflects excellent penetration to LMI areas and substantial origination of credit to small businesses of varying sizes. The distribution of home loans to borrowers of different income levels is good. The bank is a leader in making community development loans and utilizing flexible and innovative credit products to serve the area's credit needs. FNB is a leader in providing community development services and has extended an adequate level of qualified community development investments and grants.

Description of Institution's Operations in MSA 3850:

FNB's assessment area includes the entire Kokomo MSA and is comprised of Howard and Tipton Counties. Within the MSA, FNB has six branches all having ATM accessibility and four freestanding ATMs. An analysis performed by the bank indicates that at December 31, 1995 50% of the bank's loan portfolio was within this MSA. Our analysis of small business/small farm loans originated during 1996 revealed that 56% of borrowers and 51% of dollars were located within the Kokomo MSA. Among home loans originated during 1996, 52% of borrowers and 54% of dollars were located within the same area. All products and banking services are offered within this MSA.

Description of MSA 3850:

The MSA includes twenty-five census tracts having the following composition: one low-income tract (4%), five moderate-income tracts (20%), fourteen middle-income tracts (56%), and five upper-income tracts (20%). The area's median family income is \$42,700. The City of Kokomo and Town of Tipton are the area's primary trade centers. According to 1990 census data, the MSA's population is 100,000. Within the area, 20% of families are low-income, 16% are moderate-income, 26% are middle-income, and 38% are upper-income. Housing is 67% owner occupied with a median value of \$55,400.

The area's economic conditions are strong with unemployment less than 4%. The area is largely dependent upon manufacturing related to the automotive industry, retail services, and agriculture.

LENDING TEST- MSA 3850

Geographic Distribution

FNB's distribution of loans within the area is excellent. Home loans and small business loans are distributed to LMI areas at a level exceeding the characteristics of the MSA. The geographic distribution of small business loans originated during 1996 is illustrated in **Figure 3**. As shown, 30% of small business borrowers and 33% of dollars were located within LMI areas. As detailed within the overall performance assessment of this Performance Evaluation, over 50 loans, totaling \$6 million, were originated within the designated Urban Enterprise Zone in the City of Kokomo during 1996. The level of farm loans within LMI areas is negligible as the LMI tracts within the area do not contain farm-households.

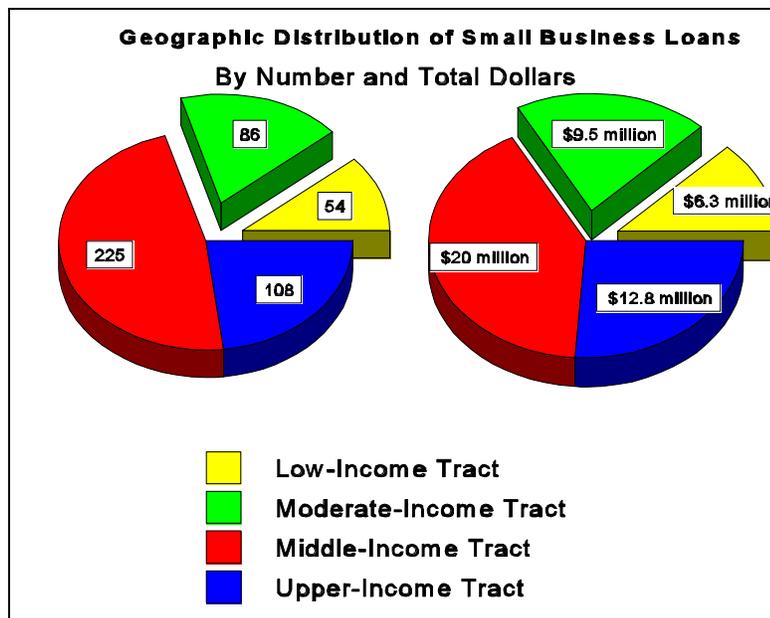


Figure 3

The distribution of home loans within the MSA's LMI areas is good. As **Table 7** indicates, approximately 19% of home loans were originated in LMI areas. Comparably, 19% of owner occupied units within the MSA are located in LMI areas. During 1995, FNB held the highest market share (14%) among over 100 lenders in originating home loans within the area's six LMI census tracts.

Table 7
Geographic Distribution of Home Loans

Tract Income Level	Number of Loans		Amount of Loans		Percentage of owner-occupied housing units
	#	%	\$\$ (000's)	%	
Low-Income	2	less than 1%	144	less than 1%	less than 1%
Moderate-Income	99	18%	4,207	11%	19%
Middle-Income	287	53%	18,036	49%	59%
Upper-Income	149	28%	14,606	39%	22%

Source: 1996 HMDA-LAR

Borrower Characteristics

We evaluated loans by borrower characteristics to determine the extent FNB provides credit to LMI borrowers and small businesses and farms within the MSA. The distribution of small business/small farm loans reflects excellent penetration of credit to businesses/farms of various sizes. The distribution of home loans to LMI borrowers is good.

During 1996, FNB originated 421 small business loans totaling \$46.3 million within the MSA. One hundred seventy-four farm loans totaling \$10.4 million were extended. Three percent of households in the area are self-employed farm households. **Table 8** demonstrates that FNB originates a significant level of small business/farm loans to small businesses and farms having less than \$1 million in annual revenues.

Table 8
Loans to Businesses and Farms
with Revenues Less Than \$ 1 million
(\$\$ millions)

Type of Loan	Number	% of Total	\$ Amount	% of Total
Small Business Loans	61	86%	\$ 34.7	75%
Small Farm Loans	161	93%	\$ 8.9	85%

Source: 1996 Small Business/Small Farm Data Collection Register

Based on our review of the bank’s 1996 Small Business Data Collection Register, FNB’s distribution to small business borrowers of varying sizes is excellent. As presented in **Figure 4**, approximately 74% of small business borrowers were granted loans in amounts less than \$100,000. In aggregate, these loans represent 24% of dollars extended. Analysis of farm loans indicates that 85% of farm borrowers obtained loans of less than

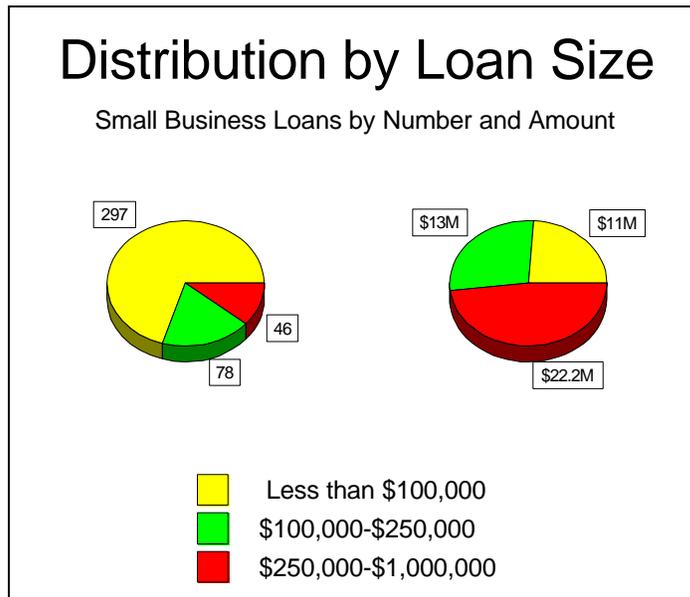


Figure 4

\$100,000, representing 49% of farm loan dollars originated.

The bank’s distribution of home loans among borrowers of various income levels is good. As detailed (**Table 9**), the number of loans made to moderate-income borrowers is generally comparable to the population’s characteristics; however, a notably lower number of loans were extended to low-income borrowers.

**Table 9
Distribution of Home Loans
by Borrower Income**

	Distribution of Family Income	Number of Loans		Volume of Loans	
		#	%	\$(000's)	%
Low-Income	20%	45	8%	1,669	5%
Moderate-Income	16%	77	14%	3,874	11%
Middle-Income	26%	185	34%	11,765	32%
Upper-Income	38%	230	43%	19,685	53%

Source: 1996 HMDA-LAR

During 1995, the bank maintained a comparable market share among LMI borrowers, making 13% of the home loans extended to LMI borrowers within the area. The bank's overall market share is 16%. FNB ranks second in the MSA's market share to LMI borrowers; the highest rated institution has a 14% market share.

Community Development Lending

FNB is a leader in community development lending within the area. Community development lending within the area included:

- Three loans totaling \$205,000 to Azusa CDC to construct or rehabilitate affordable housing in LMI tracts.
- One loan was extended for \$230,000 to Bona Vista Programs, Inc., a nonprofit corporation which provides residential housing services to disabled Kokomo area residents having no or very low income.

Innovative or Flexible Lending Practices

FNB provides the following programs within the area. Descriptions of programs were defined earlier in this Performance Evaluation.

- **Home Ownership Made Easy**
- **Main Street Revitalization**
- **Government Guaranteed Loan Products**
- **Freddie Mac Affordable Gold Loans**

INVESTMENT TEST-MSA 3850

FNB provides an adequate level of investment within the area. No qualifying investment securities have been offered within the area during the evaluation period. Investment within the area is detailed below. Full descriptions of these items are described in the bank's overall performance.

- FNB provided \$30,000 in matched grants to assist home buyers obtaining loans through the Home Ownership Made Easy program.
- To promote economic development in LMI areas, the bank provided \$2,000 in donations to the Howard County Economic Development Corporation.
- FNB donated \$18,500 to various organizations providing services to LMI residents within the area.

SERVICE TEST-MSA 3850

Services within this area are consistent with the bank's overall performance. As previously noted, FNB has a strong presence in LMI areas. Sixty-seven percent of FNB's six branches in the area serve LMI areas. One branch is located in the only low-income tract and three are in moderate-income tracts. All products and services are offered throughout the area and are accessible by area residents.

Community Development Services

FNB provides community development services within the area in a manner consistent with the overall performance. An excellent level of services are provided to serve LMI residents and areas within the MSA. A description of these services are detailed within the overall performance section of this evaluation.

Conclusions with Respect to Performance Tests in Indianapolis MSA # 3480

The bank's performance within the Indianapolis MSA is substantially consistent with the bank's overall performance. Lending is excellent, based largely on the geographic distribution of home loans and the origination of credit to LMI borrowers and small businesses within the assessment area. The bank has no specific community development or investment activities. The lack of investment or community development is not a significant consideration to the overall performance within this area given the limited opportunity, the demographic characteristics of the assessment area, and the bank's very small market presence. The bank's branching network provides services to residents throughout the assessment area.

Description of Institution's Operations in MSA 3480:

FNB's assessment area within this MSA includes portions of Hamilton County, Pike Township in Marion County, and Morgan County. The assessment area within the MSA is

comprised of thirty-eight census tracts; four are designated moderate-income (11%), sixteen are middle-income (42%), and eighteen are upper-income tracts (47%). Hamilton County lies north of Indianapolis and is adjacent to the Kokomo MSA in the north. Pike Township in Marion County is located in the northernmost section of the City of Indianapolis. Morgan County is located southwest of Marion County. An analysis performed by the bank as of December 31, 1995 determined that 32% of FNB's loan portfolio originated within MSA 3480. A review of small business/small farm loans made in 1996 revealed that 20% of borrowers and 24% of dollars were located in the Indianapolis MSA. Among home loans originated during 1996, 28% of borrowers and 30% of dollars originated were in the MSA. Analysis of 1995 HMDA-LAR data revealed that FNB ranks fifty-fifth among home lenders in the MSA representing less than .5% market share. Within FNB's assessment area, FNB has a market share approaching 2%, placing the bank seventeenth among over 200 lenders.

Description of MSA 3480:

The MSA is comprised of nine counties centered by Marion County which contains the City of Indianapolis. FNB serves 38 (11%) of the MSA's 331 census tracts. The MSA's population of 1.4 million has a median family income of \$46,600. Economically, the area is sustained by a strong service sector, government entities, and manufacturing. Unemployment throughout the area is low and below 4%. Affordable housing and home improvement are known credit needs within the MSA as a whole. However, within the areas served by FNB, no organized community development or affordable housing organizations are known to exist. The distribution of family income in the MSA is 19% low-income, 18% moderate-income, 24% middle-income, and 39% upper-income.

The Hamilton and Marion counties served by the bank are undergoing high growth levels in both business expansion and housing construction. The population within FNB's assessment area is 197,000 with 50,000 located in Morgan County. Family income distribution within the assessment area is 11% low-income, 14% moderate-income, 23% middle-income, and 52% upper-income.

LENDING TEST-MSA 3480

Geographic Distribution

Small business loans are extended to moderate-income geographies at a level comparable to the assessment area’s characteristics. Eleven percent of the area’s tracts are moderate-income and 8% of small business loans (**Figure 5**) were made to moderate-income areas. A minimal level of farm loans are originated within the area.

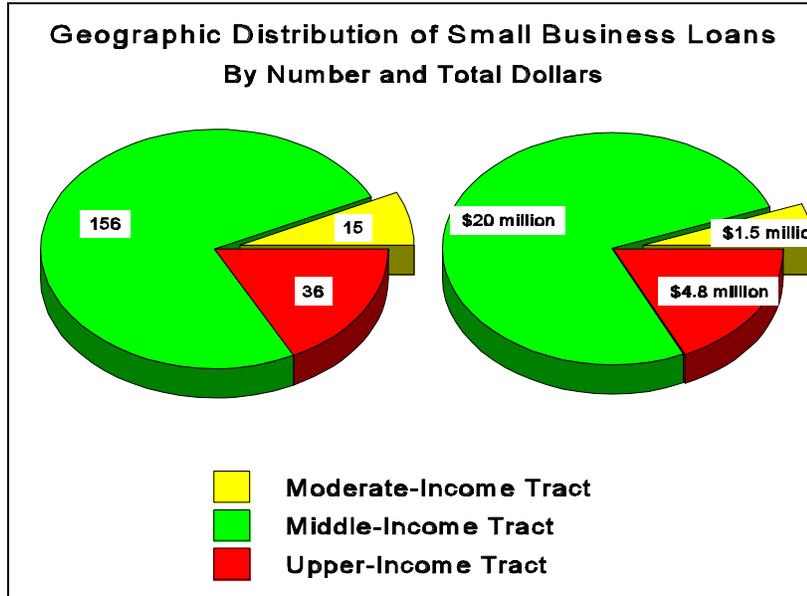


Figure 5

The bank’s distribution of home loans to moderate-income areas is excellent. Home loans are distributed to designated LMI areas at a level exceeding the characteristics of the area served. As illustrated on **Table 10**, FNB extends loans to moderate-income areas far above the dispersion of owner occupied housing to those areas.

Table 10 Geographic Distribution of Home Loans					
Census Tract Income	Number of Loans		Amount of Loans (\$000's)		Percentage of owner occupied housing units in Area
	#	%	Amt	%	
Moderate-Income	44	21%	1,950	14%	7%
Middle-Income	147	70%	9,957	69%	40%
Upper-Income	20	9%	2,432	17%	53%

Source: 1996 HMDA-Lar

FNB’s overall home loan market share is 2%; however it originates 8% of home loans within

the assessment area’s moderate-income geographies. FNB’s home loans are concentrated in Morgan and Hamilton counties.

Borrower Characteristics

We evaluated loans by borrower characteristics to determine the extent that FNB provides credit to LMI borrowers and small businesses within the assessment area. The analysis found that FNB’s extension of credit to small businesses and LMI borrowers is good. During 1996, 45% of small business loans went to businesses having less than \$1 million in annual revenues. These loans represent 11% of the total dollars extended. As **Figure 6** indicates, a significant number of small business loans extended within the area went to borrowers obtaining loans of less than \$100,000.

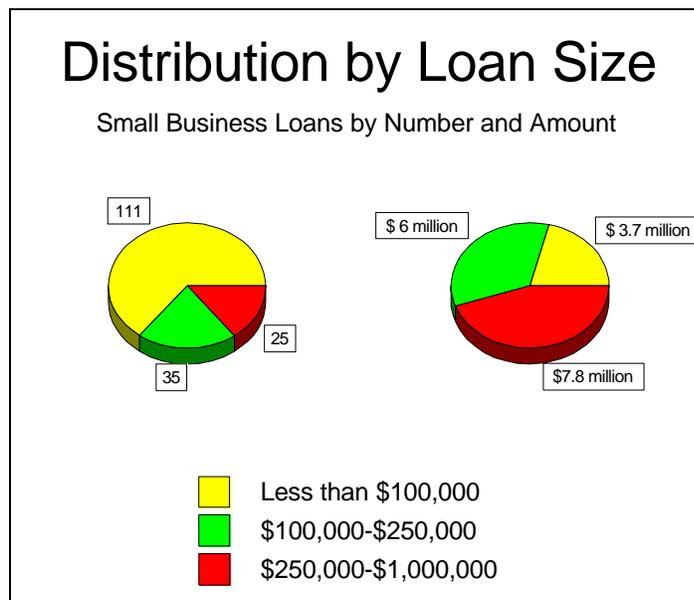


Figure 6

FNB’s origination of home loans to LMI borrowers is excellent. As illustrated in **Table 11**, home loans were granted to LMI borrowers at levels notably exceeding the income distribution of the area’s population. Specifically, the bank extended 32% of home loans to LMI borrowers while 25% of the area’s population is LMI.

Table 11
Distribution of Home Loans by
Borrower Income

	Distribution of Family Income	Number of Loans		Volume of Loans	
		#	%	\$\$ (000's)	%
Low-Income	11%	28	13%	784	5%
Moderate-Income	14%	41	19%	2,096	15%
Middle-Income	23%	73	35%	4,480	31%
Upper-Income	52%	69	33%	6,979	49%

Source: 1996 HMDA-LAR

FNB's market share to LMI home loan borrowers (2.44%) is above the bank's general market share within the area. The bank ranks twelfth in market share among loans to LMI borrowers within the assessment area compared to an overall ranking of seventeenth. The lender originating the highest number of loans to LMI borrowers had a market share approaching 8%.

Community Development Lending

The bank has not extended any qualifying community development loans within this area. Limited opportunity for community development lending exists within FNB's area due to the high composition of middle- and upper- income geographies and the distribution of income within the area. No known organized affordable housing organizations operate within the bank's assessment area.

Innovative and Flexible Lending Practices

FNB provides Government Guaranteed Loans and Freddie Mac Affordable Gold Loan Products within this area.

INVESTMENT TEST-MSA 3480

The bank's investment within the MSA is limited to \$1,500 in donations to social service organizations which provide services to LMI residents in the bank's area. The opportunity for qualifying investment in the area is limited by the demographic composition of the bank's market and its limited market share within the area.

SERVICE TEST-MSA 3480

Products and services offered by the bank are accessible by residents throughout the bank's assessment area with a notable level of service provided to residents of LMI areas. Within the area, the bank has five branches. One branch is located in Hamilton County, one in Marion County, and three are in Morgan County. Two branches, located in Morgan County, are located in moderate-income census tracts (40%). The bank has not offered specific community development services within this assessment area during the evaluation period.