



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

June 04, 2012

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Horizon Bank, National Association  
**Charter Number 2747**

515 Franklin Street  
Michigan City, IN 46360

Office of the Comptroller of the Currency

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Downers Grove, IL 60515

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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## Overall CRA Rating

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

The following table indicates the performance level of Horizon Bank, National Association with respect to the Lending, Investment, and Service Tests:

Performance Levels	Horizon Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* 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:

- Horizon achieved good lending test performance in the state of Indiana and adequate performance in the state of Michigan.
- Horizon provided an excellent level of qualified investments in the state of Indiana. In the Michigan City-LaPorte MSA, investments represent approximately 13 percent of allocated tier one capital. Investment performance in the state of Michigan is adequate.
- Service delivery systems are accessible to essentially all portions of the bank’s assessment areas. Bank personnel provided their financial expertise through participation in community development services in each rated area.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Horizon Bank, National Association (Horizon), is a \$1.5 billion interstate financial institution headquartered in Michigan City, Indiana. Horizon is a wholly-owned subsidiary of Horizon Bancorp, a one-bank holding company. Horizon has three wholly-owned subsidiaries: Horizon Investments, Inc., which manages the investment portfolio of the bank; Horizon Grantor Trust which holds title to certain company owned life insurance policies; and Horizon Insurance Services, Inc. which is no longer an operating subsidiary and is primarily used to collect residual insurance income. The bank's subsidiary activities have no impact on Horizon's capacity to meet community credit needs and are not considered in this CRA evaluation.

Horizon is a full-service banking institution offering traditional commercial and retail banking services. As of March 31, 2012, the bank has total loans of \$999 million, total deposits of \$1.1 billion, and tier one capital of \$126.3 million. Net loans to total assets are 63 percent. Over 57 percent of the bank's loan portfolio consists of real estate loans. Horizon's loan portfolio is made up of 30 percent residential mortgage loans, 31 percent commercial and commercial real estate loans, 21 percent are other loans, 15 percent are loans to individuals, and three percent are construction and land development loans. Horizon is not active in agriculture lending, with less than one percent of its loan portfolio comprised of these types of loans.

Horizon operated 22 full-service banking offices throughout its five assessment areas in the states of Indiana and Michigan during the evaluation period. The assessment areas consist of all or parts of metropolitan statistical areas (MSAs)/Metropolitan Divisions (MD) in Michigan City, Gary, Elkhart, and South Bend, Indiana and Benton Harbor, Michigan. Approximately 85 percent of total deposits and 67 percent of total loan originations are attributed to the Michigan City and Gary assessment areas. In June 2010, Horizon acquired American Trust & Savings Bank (American Trust) in Whiting, Indiana, which expanded the bank's presence in the Gary, IN MD with offices in Crown Point, Hammond, and Whiting. Since the last performance evaluation period, the bank opened four new branch offices in the cities of Valparaiso, Munster, Goshen, and South Bend, Indiana and closed one office in South Bend, IN and one office in Harbert, MI.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the bank's assessment areas. Horizon received a "Satisfactory" rating on its last CRA evaluation dated June 4, 2007.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the lending test, excluding community development loans, is January 1, 2009, through December 31, 2011. Products reviewed in the lending test include home mortgage and small business loans. We used the 2010 peer lending data, the most recent data available, for home mortgage and small business, to compare Horizon's lending performance to other reporting lenders in the assessment areas. Our analysis does not include small farm or multifamily home mortgage originations. The number of reported loans by these product types is insufficient for meaningful analysis in all assessment areas.

The evaluation period for the investment and service tests and community development loans is June 5, 2007, through June 4, 2012.

We used deposit information, reported to the Federal Deposit Insurance Corporation annually, to determine the bank's deposit market share and market presence within its assessment areas. The most recent deposit information available is as of June 30, 2011.

### Data Integrity

The Community Reinvestment Act requires that banks, other than small banks, collect and maintain certain data regarding originations and purchases of small business, small farm, and HMDA loans.

As part of our evaluation, we performed a data integrity review on the bank's 2009 HMDA and CRA data by comparing information from the bank's loan application register to actual loan files. We found this data to be reliable.

We verified CD loans, investments, and services submitted by Horizon's management to ensure that they met the regulatory definition for CD. Only those activities that qualified are presented and considered in this evaluation.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, a sample of assessment areas (AAs) within that state was selected for full-scope reviews. Refer to the "Scope" section under each State for details regarding how the areas were selected.

### Ratings

The bank's overall rating is a blend of the state ratings. Since the majority of bank loans (78 percent) and deposits (86 percent) are attributed to the state of Indiana, we weighted the bank's performance in Indiana more heavily than its performance in Michigan in arriving at our conclusions.

The state ratings are based primarily on those areas that received full-scope reviews. Refer to the “Scope” section under each state rating section for details regarding how the areas were weighted in arriving at the overall state ratings.

### **Inside/Outside Ratio**

For the geographic distribution analysis under the Lending Test, we performed an inside/outside ratio analysis at the bank level. A substantial majority of the bank’s loans by number, 73 percent, are inside its AAs. By product type, 71 percent of home mortgage loans and 81 percent of small business loans were originated to borrowers inside the bank’s AAs. We viewed this as a positive characteristic in our analysis of lending performance.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

## State Rating

### State of Indiana

#### CRA Rating for Indiana: Satisfactory

The lending test is rated: High Satisfactory

The investment test is rated: Outstanding

The service test is rated: High Satisfactory

The major factors that support this rating include:

- The geographic distribution of loans reflects good penetration and the distribution of borrowers reflects excellent penetration throughout the assessment areas.
- The level of qualified community development investments is excellent.
- Delivery systems are accessible to essentially all portions of the bank's AAs.

### Description of Institution's Operations in Indiana

Horizon operates 17 branch offices and 23 ATMs within four assessment areas (AAs) in the state of Indiana. The Indiana AAs include all or parts of four metropolitan areas: Michigan City–LaPorte MSA, Gary MD, Elkhart MSA, and the South Bend MSA. Eighty six percent of the bank's total deposits and 80 percent of loan originations (by number) are attributed to the state of Indiana. Home mortgage loans are the primary credit product, representing 86 percent by number and 79 percent by dollar volume, of all loan originations in the state. Therefore, home mortgage loans will be weighed heavier when arriving at overall conclusions for the state.

Horizon ranks fifth in deposit market share among all financial institutions operating in its Indiana AAs. Deposits in the state total \$891 million and represent 4.84 percent of the market. The top two ranking institutions have deposit market share of 14.15 and 13.41 percent respectively.

Refer to the market profiles for the state of Indiana in appendix C for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

### Scope of Evaluation in Indiana

The Michigan City-LaPorte MSA and the Gary Metropolitan Division (MD) received full-scope reviews because a majority of the bank's loans and deposits are attributed to these two AAs in Indiana. The Michigan City MSA received slightly more weight over the Gary MD since this AA accounts for 44 percent of the loans and 59 percent of the deposits in this state. The Gary MD

accounts for 39 percent of the loans and 39 percent of the deposits in Indiana. Among product types, home mortgage lending received greater weight in both AAs for this evaluation.

We conducted one community contact interview with a local housing authority in the Michigan City area during this evaluation. Our contact identified affordable housing and the rehabilitation and/or demolition of abandoned buildings as primary needs of the local community. Horizon is a leader and partners with the housing authority to assist low-and moderate-income families in obtaining affordable housing.

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in Indiana is rated High Satisfactory. Based on full-scope reviews, the bank's performance in the Michigan City-LaPorte MSA is excellent and in the Gary MD is adequate.

### Lending Activity

Refer to Table 1 Lending Volume, in the state of Indiana section of appendix D for the facts and data used to evaluate the bank's lending activity. Overall, lending volume in the Indiana AAs is excellent.

#### Michigan City-LaPorte MSA

The volume of lending in the Michigan City-LaPorte MSA is excellent. Approximately 76 percent of the loans attributed to this AA are home mortgage loans, 21 percent are small loans to businesses, and three percent are small loans to farms.

Horizon is dominant in this AA, ranking first among ten institutions with a deposit market share of 33 percent. Based on 2010 HMDA aggregate data, Horizon ranks first among 167 HMDA reporters in the AA with a 14.21 percent market share for all HMDA reportable loans. With such a large number of home mortgage lenders in the AA, meeting community credit needs may be more competitive. The 2010 aggregate small business loan data reflects Horizon with approximately nine percent of the market share, ranking it third among 43 reporting lenders.

#### Gary MD

The volume of lending in the Gary MD is good. Approximately 84 percent of the loans attributed to this area are home mortgage loans and 16 percent are small loans to businesses. The bank originated only one small loan to a farm in this AA.

Horizon ranks tenth among 28 institutions with a deposit market share of 3.52 percent in this AA. Based on 2010 HMDA aggregate data, Horizon ranks seventh among 352 HMDA reporting lenders in the AA with a 4.23 percent market share. With such a large number of home mortgage lenders in the AA, meeting community credit needs may be more competitive.

The 2010 aggregate small business loan data reflects Horizon with approximately two percent market share, ranking it 15<sup>th</sup> among 74 reporting lenders.

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

### ***Home Mortgage Loans***

Refer to Tables 2, 3, 4, and 5 in the state of Indiana section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

The geographic distribution of reported home mortgage loans reflects good penetration throughout the AAs. The bank's geographic distribution of home mortgage loans in the Michigan City-LaPorte MSA AA is excellent. The bank is a lending leader in this AA. The geographic distribution of home mortgage lending in the Gary MD AA is adequate. Lending opportunities are limited in this AA and the market is competitive among home mortgage lenders. Horizon did not originate a significant number of multifamily home loans during the evaluation period to warrant an evaluation of this loan type in either full-scope AA.

### **Michigan City-LaPorte MSA**

In the Michigan City-LaPorte MSA AA, home refinance loans received the most weight in our analyses, followed by home purchase and home improvement loans. These loans respectively represent 56, 38, and six percent of the bank's home mortgage lending (by number) in this AA.

We did not perform a geographic distribution analysis of low-income geographies because there are no low-income census tracts in this AA.

The geographic distribution of all three types of loans reflects excellent penetration in the moderate income geographies of this AA. Horizon ranks first, or tied for first, in overall market share for all three types of HMDA loans in the moderate-income geographies. The percentage of loans across all three loan types was somewhat lower than the area demographics. However, the bank's market share in the moderate-income geographies for all loan types exceeds its overall market share. Given the competition in the market their penetration in the AA is excellent.

### **Gary MD**

In the Gary MD AA, home refinance loans received the most weight in our analyses, followed by home purchase and home improvement loans. These loans respectively represent 57, 39, and four percent of the bank's home mortgage lending (by number) in this AA.

The geographic distribution of all three types of home mortgage loans in the low-income geographies of this AA reflects poor penetration as Horizon did not originate any home mortgage loans in the low-income geographies of this AA.

In the moderate-income geographies, Horizon's geographic distribution of home refinance loans reflects good penetration and the distribution of home purchase and home improvement loans in moderate-income geographies reflects adequate penetration. The percentage of loans across all three loan types is significantly lower than area demographics. The bank's market share in moderate-income geographies for refinance loans exceeds its overall market share, and for home purchase and home improvement loans it's lower than its overall market share. Competition among home mortgage lenders in this AA helps to mitigate the bank's weaker performance. See the Lending Gap Analysis for additional mitigating factors.

Overall, Horizon ranked fifth of 119 lenders in home mortgage lending in the moderate-income geographies of this AA with a 4.14 percent market share, according to 2010 peer lending data. Horizon ranked fourth (of 87 lenders) in refinance loan originations in the moderate-income geographies of this AA with 6.56 percent market share, it ranked tenth (of 74 lenders) in home purchase loan originations with a 2.06 percent market share, and it ranked 23<sup>rd</sup> (of 26 lenders) with a one percent market share in home improvement loan originations.

### ***Small Loans to Businesses***

Refer to Table 6 in the state of Indiana section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses reflects good penetration throughout the AAs.

#### *Michigan City-LaPorte MSA*

Performance in the moderate-income geographies exceeds area demographics and reflects excellent penetration. The bank ranks third (of 43 lenders) in overall market share for small loans to businesses with 12 percent. Its market share in moderate-income geographies is higher than its overall market share.

#### *Gary MD*

Performance in the low- and moderate-income geographies is lower than area demographics but reflects adequate penetration. The bank ranks 15<sup>th</sup> in overall market share for small loans to businesses with 1.89 percent. Its market share in low- and moderate-income geographies is somewhat lower than its overall market share.

### ***Lending Gap Analysis***

Horizon did not originate any loans in the low-income geographies of its Gary MD AA. However, lending opportunities in these areas are limited. According to 2010 aggregate HMDA data, there were only 41 home mortgage loans originated or purchased in these geographies and only three lenders originated more than two loans and only about two percent of owner occupied housing units are located in the low-income geographies of this AA.

Horizon only recently acquired offices (June 2010) in the northern part of this AA where the majority of low- and moderate-income geographies are located.

### ***Inside/Outside Ratio***

We performed an analysis of the inside/outside ratio at the bank level. A substantial majority of the bank's loans were secured by properties inside its AAs. Refer to the Scope of the Evaluation section for additional details.

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

### ***Home Mortgage Loans***

Refer to Tables 8, 9 and 10 in the state of Indiana section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall borrower distribution of home mortgage loans reflects excellent penetration throughout the AAs.

### **Michigan City-LaPorte MSA**

The distribution of home mortgage loans to borrowers of different income levels reflects excellent penetration throughout this AA. In assessing performance to low-income families, we considered the AA family poverty rate of 9 percent and an unemployment rate of 9.5 percent, the second highest MSA unemployment rate in the state.

The borrower distribution among moderate-income families reflects excellent penetration. Across all three loan types, the bank's performance exceeds area demographics. The borrower distribution among low-income borrowers reflects good penetration. While the bank's percentage of loans to low-income borrowers is lower than demographics for home purchase and home refinance, penetration is good given the family poverty rate and high unemployment rate in the AA.

Horizon ranks first in home mortgage lending to low- and moderate-income families with an overall 17.95 percent market share in this AA. The bank ranks first in market share for all types of home mortgage loans among both low- and moderate-income borrowers except for home refinance loans to low-income borrowers where the bank ranks third. Horizon's market share to both low- and moderate-income families exceeds its overall market share relative to home purchase and home improvement lending.

### **Gary MD**

The distribution of home mortgage loans to borrowers of different income levels reflects good penetration throughout this AA. In assessing performance to low-income families, we considered the AA poverty rate of 11 percent and the unemployment rate of 8.5 percent.



The borrower distribution among moderate-income families reflects excellent penetration. Performance is particularly strong in home purchase and home improvement loans and exceeds area demographics. Performance in home refinance loans is near to area demographics. The distribution among low-income families reflects adequate penetration for all loan products given the poverty rate for this area.

Horizon ranks seventh in overall market share among home mortgage products with a 4.23 percent market share. Market shares of loans to low- and moderate-income families for all three types of home mortgage loans are lower than the bank's overall market share.

### ***Small Loans to Businesses***

Refer to Table 11 in the state of Indiana section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The overall borrower distribution of small loans to businesses reflects good penetration throughout the AAs.

#### **Michigan City-LaPorte MSA**

The distribution of small loans to businesses reflects good penetration throughout the AA. The percentage of loans to small businesses with gross annual revenues of \$1 million or less is somewhat lower than area demographics. The majority of originations for small loans to businesses were in amounts of \$100 thousand or less. The bank ranks second in overall market share, with 11.82 percent of the market, and is ranks third in lending to businesses with revenues of less than \$1 million with a 14.67 percent market share.

#### **Gary MD**

The distribution of small loans to businesses reflects good penetration throughout the AA. The percentage of loans to small businesses with gross annual revenues of \$1 million or less is near to area demographics and approximately 58 percent of the loans originated were in amounts of \$100 thousand or less. Horizon ranks 15<sup>th</sup> in overall market share with 1.89 percent of the market. The bank ranks eighth in lending to businesses with revenue of \$1 million or less with a four percent market share in this AA.

### **Community Development Lending**

Horizon did not originate any community development loans during the evaluation period. However, the bank originated \$13 million in loans to small businesses in enterprise zones throughout the Michigan City-LaPorte MSA. Although these loans have community development characteristics, they are reported as small business loans. The absence of community development lending had a neutral impact on our assessment.

## **Product Innovation and Flexibility**

Horizon makes limited use of innovative and flexible lending practices in order to serve assessment areas' credit needs. The following programs are available in all AAs throughout the state of Indiana: Fresh Start Loan Program, Credit Enhancement Program, Neighborhood Improvement Program, Homeowner Ready Cash Program, and Section 8 Homeownership Program. These programs provide reduced interest rates and relaxed qualification requirements. As of March 31, 2012, the bank has 382 such loans in its portfolio totaling \$306 thousand.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in both the Elkhart MSA AA and the South Bend AA is weaker than the bank's overall performance in the state due to weaker geographic penetration among all product types. This performance did not detract from the bank's lending test rating. Refer to the Tables 1 through 11 in the state of Indiana section of appendix D for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test in Indiana is Outstanding. Based on full-scope reviews, the bank's performance in the Michigan City-LaPorte MSA is excellent and, in the Gary MD, performance is adequate. Refer to Table 14 in the state of Indiana section of appendix D for the facts and data used to evaluate the bank's level of qualified investments.

Investments are primarily centered in the purchase of a tax anticipation warrant, Federal Home Loan Bank grants, donations, and prior period investments in affordable housing. When drawing conclusions we considered the bank's capacity, dollar amount of investments, community development opportunities, and identified community needs. In the state of Indiana, the bank made a total of \$8.4 million in qualified community development investments. Prior period investments total \$178 thousand. To provide perspective regarding the level of qualified investments, we allocated a portion of the bank's tier one capital to each assessment area on a pro-rata basis.

#### *Michigan City-LaPorte MSA*

Horizon has an excellent level of qualified community development investments and grants in this AA. The bank provided qualified investments through the purchase of a tax anticipation warrant, donations, and grants. Current period investments total \$8.1 million and prior period investments total \$178 thousand. Total investments represent approximately 13 percent of allocated tier one capital. Qualified investment activity includes.

- Tax Anticipation Warrant: Horizon purchased a \$7 million tax anticipation warrant from the Michigan City Area Schools. The warrant will help the school system meet its

capital project fund expenses. Low- and moderate-income students account for over 60 percent of the student population.

- Federal Home Loan Bank of Indianapolis Grant Programs (FHLBI): The bank, through its investment in the FHLBI, made \$852 thousand available to low- and moderate-income individuals and organizations that provide such individuals with social services and affordable housing. The bank's investments in three programs (Homeownership Opportunities, Affordable Housing, and Neighborhood Stabilization) provided assistance to a housing center for development disabled adults (\$361 thousand), an affordable housing organization that will construct homes in moderate-income geographies (\$295 thousand), and eligible low- and moderate-income borrowers participating in Horizon's first time homebuyers program (\$196 thousand).
- Community Development Partnership: The bank invested \$50 thousand in this partnership that will acquire blighted property in downtown LaPorte, IN for future economic development.
- Qualified Donations: Horizon donated \$168 thousand in cash contributions to qualified organizations that provide services to low- and moderate-income individuals and families.
- Horizon continues to hold two prior period investments, totaling \$178 thousand in pools of mortgage backed securities comprised of primarily home mortgage loans to low- and moderate-income borrowers within the AA.

### Gary MD

Horizon demonstrated a poor level of qualified community development investments, but responsiveness to credit and community development needs in this assessment area was adequate. The bank has invested in a community development partnership and has made qualified donations to various organizations. Current investments totaled \$123 thousand. Total investments represent less than one percent of allocated tier one capital.

- Qualified Donations: The bank donated approximately \$123 thousand to organizations that provide social services, affordable housing, and health care to low- and moderate-income families.

## **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the investment test in the Elkhart MSA AA and the South Bend AA are weaker than the bank's overall outstanding rating under the investment test in Indiana. Performance is weaker due to the dollar amount of investments in these AAs. The weaker performance does not detract from the bank's overall performance in the state of Indiana. Refer to the Table 14 in the state of Indiana section of appendix D for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the service test in Indiana is rated High Satisfactory. Based on full-scope reviews, the bank's performance in the Michigan City-LaPorte MSA AA is excellent and, in the Gary MD AA, performance is adequate.

### Retail Banking Services

Refer to Table 15 in the state of Indiana section of appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

#### Michigan City-LaPorte MSA

Horizon's delivery systems are readily accessible to all individuals of different income levels in the MSA. The bank operates four branches in the AA. Two branches are located in moderate income geographies and two branches are in middle-income geographies. There are no low-income geographies in this AA. The percentage of branches in the moderate-income geographies exceeds the population percentage that resides in those geographies. ATM distribution further supplements the availability of services throughout the MSA. There were no branch openings or closing in this AA during the review period.

#### Gary MD

Horizon's delivery systems are reasonably accessible to essentially all portions of this AA. The bank operates ten branch offices in this AA. There are no branches in the low-income geographies; one branch is located in a moderate-income geography; five branches are located in middle-income geographies, and four in upper-income geographies. ATM distribution further supplements the availability of services in the Gary MD AA.

Horizon branch network expanded considerably in this AA during the review period. The acquisition of American Trust and Savings Bank in June 2010 resulted in four additional branch locations in this AA, including the one branch in a moderate-income geography. In addition, Horizon opened four other branch offices in this AA. The bank closed one office located in a middle-income geography. To the extent these changes have been made, the bank's opening and closing of branches in this AA has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or low- and moderate-income individuals.

There are no material differences in services offered at branch locations in either full-scope AA. Banking hours do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or individuals.

### Community Development Services

Michigan City-LaPorte MSA

Horizon provides an adequate level of community development services in this AA. Bank officers and employees serve on boards and provide financial expertise to 20 different organizations that provide community development services to low- and moderate-income individuals. Organizations include housing and counseling to the homeless and to battered women and children, economic development targeted for redevelopment by the government, and organizations that provide assistance to small businesses.

Gary MD

The bank provides an adequate level of community development services in this AA. Officers and employees provide technical assistance to 18 organizations that provide community development services targeted to low- and moderate-income individuals.

**Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the service test in the Elkhart MSA AA is not inconsistent with the bank's overall High Satisfactory performance under the service test in Indiana. In the South Bend AA, the bank's performance is weaker than the bank's overall performance in the state. Performance is weaker due to a branch closing in a moderate-income geography. This weaker performance does not detract from the bank's overall performance in the state of Indiana. Refer to Table 15 in the state of Indiana section of appendix D for the facts and data that support these conclusions.

## State Rating

### State of Michigan

#### **CRA Rating for Michigan: Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: Low Satisfactory**

**The service test is rated: High Satisfactory**

The major factors that support this rating include:

- The geographic distribution of loans reflects adequate penetration and the distribution of borrowers reflects good penetration throughout the AAs.
- The level of qualified community development investments is adequate.
- Delivery systems are accessible to essentially all portions of the bank's AA and the bank provides a relatively high level of community development services.

### Description of Institution's Operations in Michigan

Horizon operates five branch offices and six ATMs within the AA in the state of Michigan. The bank opened a sixth branch office with an ATM in Portage, MI in March 2012; however, this office was not included in our lending evaluation since its opening was outside our lending review period. There were no other branch openings; however, the bank closed a branch office in Harbert, MI in 2010. The bank has been operating in Michigan since 2003.

The Michigan AA is comprised of 25 of the 48 geographies of the Niles-Benton Harbor MSA. Fourteen percent of the bank's total deposits and 20 percent of loan originations (by number) are attributed to the state of Michigan. Home mortgage loans are the primary credit product, representing 73 percent by number and 77 percent by dollar volume, of all loan originations in the state.

Horizon ranks fourth in deposit market share among all financial institutions operating in the Niles-Benton Harbor MSA. Deposits in the state total \$140 million and represent 7.24 percent of the market. The top three institutions are nationwide and regional banks with market shares of 35.64, 25.79, and 9.89 percent respectively.

Refer to the market profiles for the state of Michigan in appendix C for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

## Scope of Evaluation in Michigan

We performed a full-scope review of the Niles-Benton Harbor MSA, the bank's only AA in the state of Michigan. Home mortgage lending received the most weight in the evaluation of the bank's performance in this state. We did not evaluate multifamily housing or small farm loans as these loan types do not represent a significant portion of the bank's lending activity in the state of Michigan.

We conducted a community contact interview with an affordable housing organization during the course of this evaluation. The contact stated that affordable housing, along with more affordable basic banking products and services for low-income individuals and families are needed in this area. Horizon is an active participant in programs sponsored by this organization.

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in Michigan is rated High Satisfactory. Based on a full-scope review, the bank's performance in the Niles-Benton Harbor MSA is good.

### Lending Activity

Refer to Table 1 Lending Volume in the state of Michigan section of appendix D for the facts and data used to evaluate the bank's lending activity.

The volume of lending is good given the bank's presence in this market. Approximately 73 percent of the loans attributed to this area are home mortgage loans, 26 percent are small loans to businesses, and less than one percent are small loans to farms. Of the total home mortgage loans, home refinance loans account for 56 percent, home purchase loans, 41 percent, and home improvement loans, three percent.

Based on 2010 HMDA aggregate data, Horizon ranks second among 164 institutions reporting lending in the AA with 8.67 percent of the market for all HMDA reportable loans. According to 2010 peer small business data, Horizon ranks sixth in small business lending with a 6.59 market share among 43 lenders.

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

#### *Home Mortgage Loans*

Refer to Tables 2, 3, 4, and 5 in the state of Michigan section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

The geographic distribution of reported home mortgage loans reflects adequate penetration throughout the AA given the limited opportunities. The percentage of loans in low-income geographies relative to home purchase loans and home improvement loans is near to area demographics. The percentage of refinance loans in low-income geographies is significantly lower than area demographics. In the moderate-income geographies, the percentage of home refinance and home purchase loans is significantly lower than area demographics, while home improvement loans significantly exceeds area demographics. Overall, home refinance and home purchase loans are more reflective of the bank's lending performance in this AA.

Horizon's market share of home mortgage lending is somewhat lower than its overall market share. However, analyses relative to 2010 market share data is somewhat exaggerated due to the lack of lending opportunities in these geographies. In 2010 there were only eleven home purchase loans originated or purchased (among seven lenders) in the low-income geographies and eleven loans originated or purchased in the moderate-income geographies. There were only six refinance loans originated in the low-income geographies (the bank originated two of these) and 20 refinance loans in the moderate-income geographies. There were only 4 home improvement loans originated or purchased in the low-income geographies and eleven home improvement loans in the moderate-income geographies of this AA.

Horizon did not originate a significant number of multifamily home loans during this evaluation period to warrant an evaluation of this loan type in this AA.

### ***Small Loans to Businesses***

Refer to Table 6 in the state of Michigan section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of loans to businesses of different sizes reflects good penetration throughout the AA. Performance in low-income geographies is somewhat lower than the demographic comparator and performance in moderate-income geographies exceeds the demographic comparator. The bank ranks sixth in overall market share among 43 lenders. Market share to both low- and moderate-income geographies exceeds the overall market share.

### ***Lending Gap Analysis***

Our geographic distribution analysis included a review for lending gaps, particularly in low- and moderate-income areas. We did not identify any unexplained conspicuous gaps in the Niles-Benton Harbor MSA AA.

### ***Inside/Outside Ratio***



We performed an analysis of the inside/outside ratio at the bank level. A substantial majority of the loans were inside its AAs. Refer to the Scope of Evaluation section for additional details.

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

### ***Home Mortgage Loans***

Refer to Tables 8, 9 and 10 in the state of Michigan section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. The overall borrower distribution of home mortgage loans reflects good penetration throughout this AA.

Distribution of loans to low-income borrowers reflects adequate penetration. For home improvement loans, the distribution of loans to low-income borrowers exceeds demographics. For home purchase and refinance loans, the distribution to low-income borrowers is lower than demographics. However, given that 13 percent of households are below the poverty level and an 8.7 percent unemployment rate, performance to low-income borrowers is adequate. Market share to low-income borrowers for home purchase and refinance loans is lower than the bank's overall market share for all loan products. Market share to low-income borrowers for home improvement loans exceeds its overall market share. Horizon ranks second in market share in home purchase lending to low-income borrowers and ranks ninth in refinance lending to low-income borrowers in this AA.

Distribution of loans to moderate-income borrowers reflects good penetration. For all product types, the distribution of loans to moderate-income borrowers is somewhat lower than demographics. However, the bank ranks second in market share for home purchase loans to moderate-income borrowers, although its market share of home purchase loans to moderate-income borrowers is lower than its overall market share. Horizon ranks third in market share for home refinance loans to moderate-income borrowers and it exceeds the bank's overall market share for home refinance loans. For home improvement loans, Horizon market share to moderate-income borrowers is near to its overall market share.

### ***Small Loans to Businesses***

Refer to Table 11 in the state of Michigan section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses. The distribution of loans to businesses of different sizes reflects good penetration throughout the AA.

The percent of loans to small businesses is near to the demographic comparator. Approximately 61 percent of small loans originated were in amounts of \$100 thousand or less. The bank ranks fourth in market share of loans to small businesses and exceeds its overall market share.

## **Community Development Lending**

The bank did not originate any community development loans in this assessment area during the evaluation period. However, Horizon originated \$245 thousand in loans to small businesses in enterprise zones throughout the Niles-Benton Harbor MSA. Although these loans have community development characteristics, they are reported as small business loans. The absence of community development lending had a neutral impact on our assessment.

## **Product Innovation and Flexibility**

Horizon uses of innovative and flexible lending practices in order to serve assessment area credit needs. The bank's flexible products that are available in the state of Indiana are also available in the state of Michigan. As of March 31, 2012, the bank has 63 such loans in its portfolio totaling \$35 thousand.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test in Michigan is rated Low Satisfactory. Based on a full-scope review, the bank's performance in the Niles-Benton Harbor MSA is adequate. Refer to Table 14 in the state of Michigan section of appendix D for the facts and data used to evaluate the bank's level of qualified investments.

The bank has an adequate level of qualified community development investments and grants in the state of Michigan. During the evaluation period, Horizon, via a FHLBI Affordable Housing Program grant, provided \$315 thousand in assistance to an affordable housing organization that provides housing assistance to low- and moderate-income families. In addition, the bank made qualified donations totaling \$157 thousand to organizations that provide community development services to low- and moderate-income individuals and families. Total qualified investments, including prior period investments, total \$472 thousand which equals approximately three percent of allocated tier one capital.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the service test in Michigan is rated High Satisfactory. Based on a full-scope review, the bank's performance in the Niles-Benton Harbor MSA AA is good.

## **Retail Banking Services**

Refer to Table 15 in the state of Michigan section of appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Horizon's delivery systems are accessible to essentially all portions of the bank's Nile-Benton Harbor MSA AA. The bank operates five branch offices in this AA. There are no branch offices in low-income geographies; one branch (20 percent) is in a moderate-income geography; three (60 percent) are located in middle-income geographies; and one (20 percent) is in an upper-income geography. ATM distribution further supplements the availability of services throughout the AA. The bank closed one branch office in a middle-income geography during the review period. This closure has not adversely affected the accessibility of the bank's delivery systems.

There are no material differences in services offered at branch locations. Banking hours do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies and/or individuals.

### **Community Development Services**

The bank provides a relatively high level of community development services. Horizon bank officers and employees serve on the boards and provide financial expertise to ten different organizations that provide community services to low- and moderate-income individuals or support economic development and revitalization/stabilization efforts in this AA.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/2009 to 12/21/2011) Investment and Service Tests and CD Loans: (06/05/2007 to 06/03/2012)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Horizon Bank, National Association Michigan City, Indiana	Home Mortgage; Small Business and Community Development Loans. Qualified Investment; Retail and Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Indiana Michigan City-LaPorte #33140 Gary #23844 Elkhart #21140 South Bend #43780  State of Michigan Niles-Benton Harbor #35660	Full-Scope Full-Scope Limited-Scope Limited-Scope  Full-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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RATINGS : Horizon Bank, National Association				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Horizon Bank, N.A.	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
State:				
INDIANA	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
MICHIGAN	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

(\*) The lending test is weighted more heavily than the investment and service tests in the overall rating.

## Appendix C: Market Profiles for Full-Scope Areas

### State of Indiana

#### Michigan City-LaPorte MSA AA

Demographic Information for Full Scope Area: Michigan City-LaPorte MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	29	0.00	27.59	58.62	13.79	0.00
Population by Geography	110,106	0.00	19.42	66.44	14.14	0.00
Owner-Occupied Housing by Geography	30,866	0.00	13.50	69.17	17.33	0.00
Business by Geography	8,762	0.00	25.36	60.91	13.73	0.00
Farms by Geography	477	0.00	6.50	82.81	10.69	0.00
Family Distribution by Income Level	28,831	17.79	19.40	25.27	37.55	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	10,720	0.00	25.71	64.56	9.73	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		49,860 59,600 9%	Median Housing Value Unemployment Rate (May 2012)		97,383 9.5%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

The Michigan City-LaPorte MSA consists of 29 census tracts in LaPorte County. There are no low-income geographies in this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The employment base and primary industries are service oriented followed by retail trade and construction. A significant majority of businesses in the area are considered small businesses employing 1-4 employees.

As of May 31, 2012, the LaPorte County unemployment rate is 9.5 percent, higher than the state of Indiana at 7.8 percent and the national rate of 8.2 percent. Primary employers in the AA include Blue Chip Casino, Indiana State Prison, LaPorte Hospital, and St. Anthony's Memorial Hospital.

Performance context information, including community contacts, identified affordable housing and rehabilitation and/or demolition of abandoned buildings are primary needs for this area.

## State of Indiana

### Gary MD AA

Demographic Information for Full Scope Area: Gary MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	132	10.61	28.03	40.15	21.21	0.00
Population by Geography	605,094	4.56	24.16	44.21	27.07	0.00
Owner-Occupied Housing by Geography	158,929	2.14	19.67	46.11	32.07	0.00
Business by Geography	50,338	3.22	13.73	44.52	38.53	0.00
Farms by Geography	903	1.00	6.87	44.19	47.95	0.00
Family Distribution by Income Level	159,909	20.69	17.85	22.90	38.56	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	61,627	8.19	35.33	40.57	15.91	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		52,518 65,200 11%	Median Housing Value Unemployment Rate (May 2012)		100,582 8.5%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

The Gary MD contains 148 census tracts. Horizon's Gary MD assessment area consists of 132 census tracts in Lake and Porter Counties. This AA contains 14 low-income geographies and 37 moderate-income geographies. The Gary MD AA does not include the far southern portions of the MD. The exclusions include all of Jasper and Newton Counties (the bank does not have any branch offices in these counties) and the far southern portion of Porter County. These exclusions were made because the bank is not able to reasonably serve these areas given the bank's branch network and resources. This assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The northern sections of Lake County which includes the cities of Gary, Hammond, and East Chicago have experienced significant population declines and economic hardship. This area was dependent on the steel industry exclusively. The southern and western portions of the assessment area, including Porter County, are faring much better. Unemployment at 8.9 percent in Lake County is above the state and national rate. The unemployment rate in Porter County is 7.3 percent as of May 2012.

Primary employers in the area include Arcelor Mittal, USS-USX Corporation/Gary Works, Methodist Hospital, Community Hospital, and St. Margaret Mercy Healthcare.

Based on demographics of the MSA and the identified needs of affordable housing and small business financing, opportunities exist to meet credit and community development needs in the MSA.

## State of Michigan

### Niles-Benton Harbor MSA AA

Demographic Information for Full Scope Area: Niles-Benton Harbor MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	16.00	12.00	40.00	32.00	0.00
Population by Geography	79,656	12.16	12.52	40.59	34.72	0.00
Owner-Occupied Housing by Geography	22,050	4.81	8.21	46.96	40.02	0.00
Business by Geography	7,814	10.02	9.62	46.47	33.89	0.00
Farms by Geography	295	3.73	2.71	66.78	26.78	0.00
Family Distribution by Income Level	21,412	21.25	16.81	19.98	41.95	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	8,150	22.17	20.37	35.83	21.63	0.00
Median Family Income		46,595	Median Housing Value		99,948	
HUD Adjusted Median Family Income for 2011		57,400	Unemployment Rate (May 2012)		8.7%	
Households Below Poverty Level		13%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

The Niles-Benton Harbor MSA AA consists of 25 census tracts in Berrien County. The area includes four low-income and three moderate-income geographies. This AA does not coincide with the Niles-Benton Harbor MSA because the entire MSA is too large for the bank to reasonably serve. The AA does not include the far northern section and the eastern portion of the MSA since Horizon does not have any branch offices in these areas. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The northern portion of the assessment area is reliant on manufacturing and has been adversely affected by the recent economic downturn. The southern portion of the AA is more reliant on the tourism industry with a number of communities located on Lake Michigan. Unemployment is 8.7 percent which is above the both the state rate of 8.5 percent and the national rate of 8.2 percent. The area's top employers are Whirlpool Corporation, Lakeland Regional Health Systems, Andrews University, and Four Winds Casino.

Opportunities exist to address identified community credit and development needs of affordable housing, small business financing, and foreclosure relief.



## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. 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: (1) purchased loans are treated as originations/purchases 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 MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- 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 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 Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. 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 share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. 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 share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. 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 MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. 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. 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 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) 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. 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 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table 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 households within each geography. For borrower distribution, the table 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 of households by income level in each MA/assessment area.
- Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/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 be legally binding and tracked and recorded by the bank's financial reporting system.
- A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 15. 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 MA/AA. The table also presents data on branch openings and closings in each MA/AA.

## Tables of Performance Data

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### STATE OF INDIANA

#### Table 1. Lending Volume

LENDING VOLUME		Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011						
Assessment Area (2011):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
Gary MD AA	39.05	1,378	230,386	267	44,565	1	75	0	0	1,646	275,026	39.18
Michigan City-LaPorte MSA AA	44.74	1,443	174,555	396	64,347	47	7,374	0	0	1,886	246,276	58.58
<b>Limited Review:</b>												
Elkhart MSA AA	14.00	555	72,230	35	9,622	0	0	0	0	590	81,852	1.16
South Bend AA	2.21	74	6,273	19	2,135	0	0	0	0	93	8,408	1.07

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from July 01, 2007 to May 31, 2012.

\*\*\* Deposit Data as of June 30, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units**	% BANK Loans						
<b>Full Review:</b>																
Gary MD AA	535	36.95	2.14	0.00	19.67	1.87	46.11	38.50	32.07	59.63	5.15	6.25	2.07	4.78	6.06	
Michigan City-LaPorte MSA AA	547	37.78	0.00	0.00	13.50	10.79	69.17	66.73	17.33	22.49	17.16	0.00	24.11	15.19	22.53	
<b>Limited Review:</b>																
Elkhart MSA AA	322	22.24	0.10	0.00	4.51	0.31	85.46	84.47	9.94	15.22	8.73	0.00	3.57	8.53	11.04	
South Bend AA	44	3.04	5.05	0.00	57.40	34.09	29.76	50.00	7.79	15.91	3.06	0.00	2.34	2.98	6.78	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT			Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total*	% Owner Occ Units***	% BANK Loans**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Gary MD AA	56	37.09	2.14	0.00	19.67	8.93	46.11	35.71	32.07	55.36	2.98	0.00	0.99	4.09	2.42	
Michigan City-LaPorte MSA AA	89	58.94	0.00	0.00	13.50	10.11	69.17	66.29	17.33	23.60	17.53	0.00	23.08	16.22	20.00	
<b>Limited Review:</b>																
Elkhart MSA AA	5	3.31	0.10	0.00	4.51	0.00	85.46	60.00	9.94	40.00	3.75	0.00	0.00	1.49	28.57	
South Bend AA	1	0.66	5.05	0.00	57.40	100.00	29.76	0.00	7.79	0.00	2.50	0.00	6.25	0.00	0.00	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE 2011			Geography: INDIANA						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31,						
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units***	% BANK Loans***	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gary MD AA	782	42.38	2.14	0.00	19.67	1.66	46.11	31.97	32.07	66.37	3.84	0.00	6.67	4.33	3.27
Michigan City-LaPorte MSA AA	806	43.69	0.00	0.00	13.50	9.68	69.17	63.77	17.33	26.55	12.14	0.00	12.44	12.42	11.29
<b>Limited Review:</b>															
Elkhart MSA AA	228	12.36	0.10	0.00	4.51	1.32	85.46	84.65	9.94	14.04	4.47	0.00	0.00	4.43	5.19
South Bend AA	29	1.57	5.05	0.00	57.40	37.93	29.76	31.03	7.79	31.03	1.80	0.00	0.95	1.19	4.38

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011				
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography *									
	#	% of Total*	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
Gary MD AA	267	37.24	3.22	1.12	13.73	5.62	44.52	56.55	38.53	36.70	1.89	1.48	1.28	2.67	1.46					
Michigan City-LaPorte MSA AA	396	55.23	0.00	0.00	25.36	38.64	60.91	50.51	13.73	10.86	11.82	0.00	16.85	10.76	10.46					
<b>Limited Review:</b>																				
Elkhart MSA AA	35	4.88	5.28	8.57	6.23	0.00	80.56	85.71	7.93	5.71	0.79	1.14	0.00	0.86	0.96					
South Bend AA	19	2.65	5.81	0.00	68.80	63.16	20.78	36.84	4.61	0.00	0.71	0.00	1.32	0.45	0.79					

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2011).



**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: INDIANA					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share*				
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total*	% Families***	% BANK Loans**	% Families <sup>1</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****						
<b>Full Review:</b>																
Gary MD AA	535	36.95	20.69	7.88	17.85	20.45	22.90	27.20	38.56	44.47	3.32	2.02	2.11	2.49	6.16	
Michigan City-LaPorte MSA AA	547	37.78	17.79	15.29	19.40	27.99	25.27	22.65	37.55	34.07	22.03	22.75	22.98	18.75	23.16	
<b>Limited Review:</b>																
Elkhart MSA AA	322	22.24	17.65	16.46	19.98	34.16	26.34	20.50	36.02	28.88	11.01	9.33	12.17	9.66	13.33	
South Bend AA	44	3.04	30.48	34.09	24.01	25.00	22.01	18.18	23.51	22.73	3.87	3.94	1.67	10.29	2.04	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.4% of loans originated and purchased by bank.

1 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: INDIANA						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans**	% Families <sup>2</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gary MD AA	56	37.09	20.69	10.91	17.85	20.00	22.90	25.45	38.56	43.64	2.40	1.18	1.79	2.65	3.00
Michigan City-LaPorte MSA AA	89	58.94	17.79	22.99	19.40	24.14	25.27	17.24	37.55	35.63	19.15	35.71	33.33	8.89	15.38
<b>Limited Review:</b>															
Elkhart MSA AA	5	3.31	17.65	0.00	19.98	40.00	26.34	20.00	36.02	40.00	4.23	0.00	7.69	4.00	4.55
South Bend AA	1	0.66	30.48	0.00	24.01	0.00	22.01	0.00	23.51	100.00	2.86	0.00	0.00	0.00	12.50

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 2.0% of loans originated and purchased by bank.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE 2011		Geography: INDIANA						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31,							
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans***	% Families 3	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans*** *	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gary MD AA	782	42.38	20.69	5.97	17.85	15.32	22.90	26.36	38.56	52.34	2.15	1.55	1.77	1.77	2.63
Michigan City-LaPorte MSA AA	806	43.69	17.79	6.88	19.40	19.77	25.27	28.29	37.55	45.06	14.22	11.90	11.75	15.98	14.57
<b>Limited Review:</b>															
Elkhart MSA AA	228	12.36	17.65	7.62	19.98	20.18	26.34	26.91	36.02	45.29	5.31	5.20	5.70	4.98	5.36
South Bend AA	29	1.57	30.48	10.71	24.01	39.29	22.01	28.57	23.51	21.43	1.95	1.20	2.22	2.80	1.60

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 1.4% of loans originated and purchased by bank.

3 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES 2011		Geography: INDIANA			Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31,				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses ***	% BANK Loans*** *	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Gary MD AA	267	37.24	67.43	65.92	57.68	20.97	21.35	1.89	4.00
Michigan City-LaPorte MSA AA	396	55.23	67.05	55.30	57.83	20.96	21.21	11.82	14.67
<b>Limited Review:</b>									
Elkhart MSA AA	35	4.88	65.98	34.29	45.71	22.86	31.43	0.79	1.64
South Bend AA	19	2.65	63.14	73.68	68.42	26.32	5.26	0.71	1.35

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2011).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.42% of small loans to businesses originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Gary MD AA	0	0	31	123	31	123	1.47	0	0
Michigan City-LaPorte MSA AA	2	178	28	8,070	30	8,248	98.38	0	0
<b>Limited Review:</b>									
Elkhart MSA AA	0	0	5	11	5	11	0.13	0	0
South Bend AA	0	0	4	2	4	2	0.02	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS								Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					
MA/Assessment Area:	Deposit s	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposit s in AA	# of BANK Branch es	% of Rated Area Branch es in AA	Location of Branches by Income of Geographies (%)				# of Branch Openin gs	# of Branch Closing s	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Gary MD AA	39.18	10	58.82	0.00	10.00	50.00	40.00	8	1	0	1	5	1	4.56	24.16	44.21	27.07
Michigan City-LaPorte MSA AA	58.58	4	23.53	0.00	50.00	50.00	0.00	0	0	0	0	0	0	0.00	19.42	66.44	14.14
<b>Limited Review:</b>																	
Elkhart MSA AA	1.16	2	11.76	0.00	0.00	50.00	50.00	1	0	0	0	1	0	0.68	9.17	82.05	8.11
South Bend AA	1.07	1	5.88	0.00	0.00	100.0 0	0.00	1	1	0	0	0	0	6.42	62.35	25.46	5.77

### Distribution of Branch and ATM Delivery System

Distribution of Branch and ATM Delivery System				Geography: INDIANA				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011									
MA/Assessment Area:	Deposits	Branches						ATMs						Population			
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Gary MD AA	39.18	10	58.82	0	10	50	40	10	43.48	0	1	5	4	4.56	24.16	44.21	27.07
Michigan City-LaPorte MSA AA	58.58	4	23.53	0	50	50	0	10	43.48	0	5	5	0	0.00	19.42	66.44	14.14
<b>Limited Review:</b>																	
Elkhart MSA AA	1.16	2	11.76	0	0	50	50	2	8.70	0	0	1	1	0.68	9.17	82.05	8.11
South Bend AA	1.07	1	5.88	0	0	100	0	1	4.35	0	0	1	0	6.42	62.35	25.46	5.77

STATE OF MICHIGAN

**Table 1. Lending Volume**

LENDING VOLUME		Geography: MICHIGAN						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011				
Assessment Area (2011):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Niles-Benton Harbor MSA AA	100.00	783	136,136	281	40,008	7	568	0	0	1,071	176,712	100.00

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2011 to December 31, 2011.

\*\*\* Deposit Data as of July 20, 2012. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.



**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: MICHIGAN					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans***	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Niles-Benton Harbor MSA AA	321	100.00	4.81	4.98	8.21	1.87	46.96	53.58	40.02	39.56	14.58	0.00	0.00	16.22	13.85	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT			Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa ll	Low	Mod	Mid	Upp	
	#	% of Total*	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Niles-Benton Harbor MSA AA	21	100.00	4.81	4.76	8.21	28.57	46.96	52.38	40.02	14.29	3.98	0.00	18.18	5.13	1.85	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE 2011			Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31,									
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total*	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Niles-Benton Harbor MSA AA	439	100.0 0	4.81	1.37	8.21	1.14	46.96	66.29	40.02	31.21	6.95	33.33	0.00	8.63	4.98	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES 2011		Geography: MICHIGAN								Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Niles-Benton Harbor MSA AA	281	100.00	10.02	8.90	9.62	11.39	46.47	51.96	33.89	27.76	6.78	10.53	9.92	5.35	9.33

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2011).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: MICHIGAN					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share*				
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total*	% Families***	% BANK Loans**	% Families4	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****						
<b>Full Review:</b>																
Niles-Benton Harbor MSA AA	321	100.00	21.25	10.34	16.81	13.48	19.98	17.87	41.95	58.31	16.03	8.51	9.84	14.88	19.00	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.6% of loans originated and purchased by bank.

4 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: MICHIGAN						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans***	% Families <sup>5</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Niles-Benton Harbor MSA AA	21	100.00	21.25	42.86	16.81	4.76	19.98	9.52	41.95	42.86	4.42	11.54	3.57	2.70	3.33

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

<sup>5</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE 2011		Geography: MICHIGAN						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31,							
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans****	% Families <sup>6</sup>	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans***	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Niles-Benton Harbor MSA AA	439	100.00	21.25	4.64	16.81	12.76	19.98	19.72	41.95	62.88	7.59	4.11	9.72	7.16	7.54

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 1.8% of loans originated and purchased by bank.

<sup>6</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES 2011		Geography: MICHIGAN			Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31,				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses ***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Niles-Benton Harbor MSA AA	281	100.00	69.18	67.62	61.21	25.62	13.17	6.78	11.70

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2011).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.



**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Niles-Benton Harbor MSA AA	0	0	19	472	19	472	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS TO DECEMBER 31, 2011								Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2009					
MA/Assessment Area:	Deposit s	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposit s in AA	# of BANK Branch es	% of Rated Area Branch es in AA	Location of Branches by Income of Geographies (%)				# of Branch Openin gs	# of Branch Closing s	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Niles-Benton Harbor MSA AA	100.00	5	100.00	0.00	20.00	60.00	20.00	0	1	0	0	- 1	0	12.16	12.52	40.59	34.72

### Distribution of Branch and ATM Delivery System

Distribution of Branch and ATM Delivery System				Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011									
MA/Assessment Area:	Deposits	Branches				ATMs				Population							
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Niles-Benton Harbor MSA AA	100.00	5	100.00	0	20	60	20	6	100.00	0	1	4	1	12.16	12.52	40.59	34.72