



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

September 11, 2000

**Community Reinvestment Act
Performance Evaluation**

**First National Bank, Valparaiso
Charter Number: 14874**

**14 Indiana Avenue
Valparaiso, Indiana**

**Office of the Comptroller of the Currency
Chicago South Field Office
7600 County Line Road, Suite 3
Burr Ridge, Illinois 60521-6962**

NOTE: 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.

Table of Contents

General Information	1
Definitions and Common Abbreviations	2
Overall CRA Rating	4
Description of Institution	5
Scope of Evaluation	6
Fair Lending Review	8
Conclusions with Respect to Performance Tests	
Lending Test	9
Investment Test	15
Service Test	16
Appendix A: Scope of Evaluation	A-1
Appendix B: Market Profile for Area Receiving Full-Scope Review	B-1
Appendix C: Tables of Performance Data	C-1

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First National Bank, Valparaiso** prepared by the **Office of the Comptroller of the Currency (OCC)** the institution's supervisory agency, as of September 11, 2000. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

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

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

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

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

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

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

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

Geography- A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent 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 applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

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

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

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

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

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

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

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

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

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

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

Overall CRA Rating

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

The following table indicates the performance level of **First National Bank, Valparaiso (FNBV)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National Bank, Valparaiso Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Low Satisfactory		X	
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:

- Lending levels that reflected a good responsiveness by FNBV to the credit needs of its assessment area (AA).
- Excellent overall geographic distribution of FNBV's loans in its AA.
- Adequate distribution of FNBV's loans among individuals of different income levels and businesses of different sizes.
- Adequate level of qualified investments that exhibited a good responsiveness to community development needs.
- Delivery systems that were readily accessible to geographies and individuals of different income levels in the AA.
- FNBV provided a high level of community development services.

Description of Institution

First National Bank, Valparaiso (FNBV) is an intrastate bank headquartered in Valparaiso, Indiana. It is located in northwest Indiana. FNBV is a wholly owned subsidiary of Fina Bancorp, Inc., a one-bank holding company located in Valparaiso, Indiana.

As of June 30, 2000, FNBV had \$432 million in total assets and \$371 million in deposits. FNBV had 16 offices and 24 automated teller machine (ATM) locations in northwest Indiana.

FNBV is primarily a retail bank making home mortgages. As of June 30, 2000, net loans at \$175 million represented 41% of total assets. The loan portfolio was comprised of real estate loans of \$119 million (68%), commercial loans of \$23 million (13%) and consumer loans of \$31 million (18%). The bank's real estate loan mix primarily consisted of 1-4 family residential loans (62%) and commercial real estate loans (37%). Agricultural lending was not a primary business line of the bank. The bank's net loan to deposit ratio as of June 30, 2000 was 47%. FNBV was an active seller of loans to the secondary market and sold \$75 million worth of loans during the evaluation period. The net loan to deposit ratio would rise to 56% if the sold loan portfolio were factored into the current loan portfolio and deposit base. As of June 30, 1999, FNBV's market share of deposits in Porter County, where it has most of its offices, was nearly 25%.

There were no legal, financial or other factors that impeded FNBV's ability to help meet the credit needs of the communities it serves. As of June 30, 2000, FNBV reported Tier 1 capital of \$41 million.

FNBV was rated "Satisfactory" at its last CRA evaluation dated March 30, 1998.

Scope of the Evaluation

Evaluation Period/Products Evaluated

With the exception of community development loans, the evaluation period for the Lending Test was January 1, 1998 through December 31, 1999. For community development loans, the Investment Test and the Service Test, the evaluation period was March 30, 1998 through September 11, 2000.

For the Lending Test, we evaluated FNBV's origination and purchase of home mortgage loans, small loans to businesses, small loans to farms and community development loans. The bank did not collect optional data on consumer loans for consideration in this evaluation.

Market share data for home mortgage loans and small loans to businesses were based on 1998 aggregate data, which were the most current data available at the time of this evaluation.

Data Integrity

As part of this CRA evaluation, we tested for accuracy a representative sample of FNBV's publicly filed data on home mortgage loans, small loans to businesses and small loans to farms. The bank had no significant errors in its data on home mortgage loans, small loans to businesses or small loans to farms that would prevent an accurate evaluation of its CRA performance. The bank's publicly filed data were substantially correct and reliable.

We also verified information on bank-identified community development loans, qualified investments and community development services to ensure the activities met the regulatory definitions. Some of the activities submitted by FNBV for consideration were excluded from this evaluation because they did not meet the definitions of community development loans, qualified investments or community development services.

Selection of Areas for Full-Scope Review

FNBV had one-assessment area (AA) consisting of 28 contiguous geographies located in Porter County and parts of Lake, La Porte and Starke counties. Refer to Appendix B for further details on bank's AA. This one AA received a full-scope review.

Ratings

FNBV's overall CRA rating was based on conclusions reached in the evaluation of its performance in the one AA.

Other

We made one community contact with a local community development corporation during this evaluation. The contact identified affordable housing as one of the most important needs in the community, along with the need for consumer education on home ownership and budgeting. The contact cited the following as barriers to affordable housing: high land cost due to limited supply of vacant parcels for housing development, high development and construction costs, restrictive banking standards and secondary market requirements for financing home purchases, public opposition over concerns that affordable housing projects could result in depreciation of value to nearby homes, and public works requirements that increase costs for housing development. The information received from the community contact was considered in this evaluation.

We also received a public comment letter from a community organization in connection with this evaluation. The organization expressed concerns over FNBV's CRA performance with respect to lending activity, geographic distribution of loans, borrower distribution of loans, record of investments, and branch distribution. However, the methodology used by the organization to analyze the bank's performance differed from the interagency examination procedures used for preparing CRA performance evaluations. A significant discrepancy related to the AA definition the organization used for the basis of its analysis. The organization's analysis was based on the Gary, Indiana MSA, whereas this evaluation was based on the AA delineated by the bank. As described in Appendix B, the bank's delineation of its AA complied with the requirements of the CRA regulation. Because of this distinction, the facts and data used in this evaluation did not correspond with those used by the organization in its analysis. As a result, the conclusions contained in this evaluation varied from the conclusions expressed by the organization in its public comment letter.

Fair Lending Review

An analysis of 1998 and 1999 HMDA and small business lending data, 1999 consumer complaint information, and public comments was performed according to the OCC's risk-based analysis approach. The analysis of the lending data revealed no significant differences for applicants by collected prohibited basis. In addition, an analysis of the consumer complaint data and public comments revealed no substantive fair lending issues that warranted more detailed review.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated "High Satisfactory." This conclusion is based on the following:

- *Good responsiveness to the credit needs in the AA.*
- *A substantial majority of loans in the AA.*
- *An excellent overall geographic distribution of loans in the AA.*
- *An adequate distribution of loans among individuals of different income levels and businesses of different sizes.*
- *Use of flexible lending practices to address the credit needs of low- and moderate-income individuals.*

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

FNBV's lending activity reflected a good responsiveness to the credit needs in the AA. Home mortgages represented 62% of the total loans reported for home mortgage, small business, small farm and community development. Small loans to businesses represented 35% and small loans to farms 3%. Among home mortgage loans originated/purchased, approximately 52% were for home refinance, 31% for home purchase and 17% for home improvement.

FNBV's lending market share and rank were good compared to its deposit market share and rank, considering the numerous non-bank lenders and relatively few depository institutions. As of June 30, 1999, FNBV's market share of deposits in Porter County, where it has most of its offices, was nearly 25% with a rank of 1st out of 12 FDIC insured financial institutions.

Based on the 1998 aggregate home mortgage loan market share data, FNBV had a market share of 6.01% and a ranking of 3rd among 223 lenders making home purchase loans, a market share of 14.23% and a ranking of 2nd among 66 lenders making home improvement loans, and a market share of 7.23% and a ranking of 3rd among 280 lenders making home refinance loans. For both home purchase and home refinance loans, the top two institutions were mortgage loan companies, which captured 15% and 18% of the respective markets.

Based on the 1998 aggregate market data on small loans to businesses, FNBV had a market share of 6.91% and ranked 5th out of 85 lenders making small loans to businesses. The top two lenders were a large national bank and a non-bank credit card lender that, when combined, captured 27% of the market. Based on the 1998 aggregate market data on small loans to farms, FNBV had a market share of 12.15% and ranked 3rd out of 19 lenders making small loans to farms.

Distribution of Loans by Income Level of the Geography

The geographic distribution of FNBV's home mortgage loans and small loans to businesses reflected excellent penetration throughout the bank's AA. No significant weight was placed on the bank's lending performance regarding small loans to farms since agricultural lending was not a primary line of bank business.

There were no low-income geographies and only one moderate-income geography in the bank's AA.

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of the bank's home purchase loans was excellent. FNBV's percentage of home purchase loans made in the moderate-income geography significantly exceeded the percentage of owner-occupied housing units. Similarly, the bank's market share of home purchase loans in the moderate-income geography significantly exceeded its overall market share.

The geographic distribution of the bank's home improvement loans was adequate. FNBV's percentage of home improvement loans to the moderate-income geography was below the percentage of owner-occupied housing units. Also, the bank had no market share for home improvement loans in the moderate-income geography. However, further analysis revealed that in 1998 all the lenders combined made only seven home improvement loans in the moderate-income geography. In 1999, FNBV made one loan in the moderate-income geography, but less than 1% of the housing units in the geography was owner-occupied.

The geographic distribution of the bank's home refinance loans was excellent. FNBV's percentage of home refinance loans in the moderate-income geography exceeded the percentage of owner-occupied housing units. However, the bank's market share of home refinance loans in the moderate-income geography was lower than its overall market share. Further analysis of home refinance loans in the moderate-income geography revealed that all lenders made a total of 77 loans in 1998. Consequently, the difference in the bank's market share in the moderate-income geography and its

overall market share represented less than two home refinance loans.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The bank's geographic distribution of loans to small businesses in the moderate-income geography was excellent. The percentage of small loans to businesses in the moderate-income geography was significantly higher than percentage of businesses located in that geography. FNBV's market share of small loans to businesses in the moderate-income geography was near to its overall market share.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

FNBV made no small loans to farms in the moderate-income geography. We considered this adequate as less than 1% of farms within the bank's AA are located in the moderate-income geography, and no other lenders made small loans to farms in the moderate-income geography in 1998.

Lending Gap Analysis

Reports detailing FNBV's lending activity over the evaluation period for home mortgage loans, small loans to businesses and small loans to farms were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

Inside/Outside Ratio

A substantial majority of the home mortgage loans, small loans to businesses and small loans to farms originated/purchased by FNBV over the evaluation period were within its AA. Ninety-four percent of the bank's home mortgage loans, 94% of small loans to businesses and 99% of small loans to farms were within the bank's AA. This performance was positively factored into the overall analysis of the bank's lending performance.

Distribution of Loans by Income Level of the Borrower

The borrower distribution of FNBV's home mortgage loans and small loans to businesses reflected an adequate dispersion among borrowers of different income levels throughout the bank's AA. As indicated previously, no significant weight was placed on the bank's lending performance regarding small loans to farms since agricultural lending was not a primary line of bank business.

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C 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 purchase loans was good. The percentage of home purchase loans made to low-income borrowers was less than the percentage of low-income families in the AA. However, considering that 6.68% of the households in the AA were below the poverty level, the percentage of loans made to low-income borrowers was considered good. FNBV's percentage of home purchase loans to moderate-income borrowers was significantly higher than the percentage of moderate-income families in the AA. FNBV's market share for home purchase loans to moderate-income borrowers also exceeded the overall market share in the AA. Conversely, the bank's market share of home purchase loans to low-income borrowers was less than the bank's overall market share. Further analysis of home purchase loans to low-income borrowers revealed that the top three lenders in the AA were mortgage loan companies that, when combined, captured approximately 35% of the market. Consequently, the difference in the number of home purchase loans made by FNBV and the remaining top lenders was only one.

Home improvement loan borrower distribution was good. The percentage of home improvement loans made to low-income borrowers was less than the percentage of low-income families in the AA. However, in light of the fact that 6.68% of households in the AA were below poverty level, the same percentage of loans was considered excellent. FNBV's percentage of loans to moderate-income borrowers was near to the percentage of moderate-income families in the AA. FNBV's market share of home improvement loans to low-income borrowers substantially exceeded the bank's overall market share. Conversely, FNBV's market share for home improvement loans to moderate-income borrowers was lower than the bank's overall market share.

Refinance loan borrower distribution was adequate. The portion of refinance loans made to both low- and moderate-income borrowers was below the percentage of low-income and moderate-income families living in the AA. However, as indicated previously when factoring in the percentage of households below the poverty level in the AA, the percentage for low-income borrowers was considered good. FNBV's percent of market share of home refinance loans to moderate-income borrowers exceeded the bank's overall market share. Conversely, FNBV's percent of home refinance loans to low-income borrowers was lower than the bank's overall market share.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses was adequate. The portion of FNBV's loans to businesses with revenues of \$1 million or less was below the portion of businesses that are defined as such. However, FNBV's percentage of market share of loans to small businesses with revenues \$1 million or less exceeded its overall market share.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data regarding the borrower distribution of bank's origination/purchase of small loans to farms.

The borrower distribution of small loans to farms was good. FNBV's percentage of loans to farms with revenues of \$1 million or less substantially met the percentage of farms with similar revenues in the AA. The bank's market share of small loans to farms with revenues of \$1 million or less exceeded its overall market share.

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

FNBV made a low level of CD loans in its AA, which had a neutral impact on Lending Test conclusions. During the evaluation period, the bank originated the following community development loans:

- A \$95,895 loan was made to a local non-profit, family services center to purchase a property. The center provides a neutral site where parents and children of broken families meet for counseling. Most of the referrals to the organization are made through Porter County Welfare Department.
- A \$55,000 loan was provided to a local non-profit housing and social services organization. The organization purchases or builds houses with the money it borrows and selects a low- to moderate-income family with which to enter into a lease-purchase agreement. After a certain period of time, the organization will sell the home to the family if the home has been maintained.
- An \$8,500 interest free loan was provided to a local community development corporation for land development, which included sewer, water and street installations. The local community development corporation builds single-family homes for low- and moderate-income families.

Product Innovation and Flexibility

FNBV made use of flexible lending practices to address the credit needs of low- and moderate-income individuals. Product flexibility had a positive impact on the Lending Test conclusion.

FNBV offered flexible mortgage-related lending programs through the Greater Valparaiso Community Development Corporation Rosegarden Project, the Indiana Housing Finance Authority and Freddie Mac (FHLMC). None of those programs were considered innovative.

- Indiana Housing Finance Authority (IHFA) "First Home 98 Program" offered first time home buyers affordable mortgage financing at interest rates below that offered by the participating lenders. The program also featured down payment assistance in the form of a no-interest, no-monthly-payment second mortgage, and if the borrower resides in the property for five years, the second mortgage may be forgiven. During the evaluation period, the bank dispensed 14 loans under this program; 12 of the loans totaling \$890,539 were made to low- and moderate-income individuals.
- Greater Valparaiso Community Development Corporation Rosegarden Project offered loans to first time homebuyers with low- and moderate-incomes. Qualifications to participate in the program included residence or employment in Valparaiso for at least three years and completion of a homebuyers' education program. The program features included discounted closing fees, 100% equity assistance for the first five years (down payment), equity assistance forgiven after 10 years, and a 3% down payment requirement. In 1999, FNBV made five loans under this program totaling approximately \$378,000.
- ALT 97 Affordable Housing Program offered through Freddie-Mac was designed for people with good credit but limited funds for down payment and closing costs. The program also featured a 3% down payment (which can come from the borrowers' own funds or a gift or unsecured loan from a relative), an affordable second mortgage, and no income or geographic limits. During the evaluation period, FNBV originated 10 loans under this program; one loan in the amount of \$65,960 was made to a moderate-income person.
- Affordable Gold 97 Program offered through Freddie-Mac was designed for homebuyers with limited incomes and minimal funds for down payment and closing costs. Some of the features of the program included a 30-year fixed-rate mortgage with down payments as low as 3%, flexible qualifying ratios, bank ability to waive borrower reserves, and closing costs from grants, gifts or unsecured loans from originating lenders. Borrowers, however, were required to complete a home ownership or counseling seminar prior to closing. During the evaluation period the

bank originated one loan in the amount of \$80,900 to a moderate-income person.

INVESTMENT TEST

The bank's performance under the Investment Test is rated "Low Satisfactory." This conclusion is based on the following:

- The level of qualified investments was adequate.
- Qualified investments were routine and non-complex in nature.
- Qualified investments exhibited a good responsiveness to community development needs.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Within the bank's AA, opportunities for qualified investments were limited primarily to cash contributions and grants. Few opportunities existed for qualified investments in equity- or debt-type securities.

Given the limited opportunities available, FNBV provided an adequate level of qualified investments. Qualified investments during the evaluation period consisted of cash contributions and grants to 21 different community development organizations totaling \$109,000. While the bank's qualified investments were routine and non-complex in nature, they exhibited a good responsiveness to community development needs of affordable housing and community services for low- and moderate-income individuals. The following are some of the more significant qualified contributions:

- The bank contributed \$18,332 to the Carillion Foundation. This organization is the fund-raising arm of Porter-Starke Services, Inc., which provides residential services for chronically mentally ill patients and senior citizens without adequate housing. The recipients of these services are primarily low- and moderate-income individuals. Part of the funding from the foundation was recently used for enhancements to HUD apartments that house mentally ill patients.
- The bank contributed \$17,850 to Porter County Community Foundation, Inc. This is a human services organization that provides funding to other groups, agencies and associations, which in turn provide community services primarily to low- and moderate-income individuals.
- Contributions totaling \$10,700 were made to the Christmas in April organizations in Portage, Valparaiso and Duneland. The Christmas in April organizations partner with their respective communities to rehabilitate homes for low-income homeowners so that they may live safely and independently.

- The bank contributed \$10,000 to Porter County Council of Church Women, Inc. The mission of this non-profit organization is to aid and promote the care of the sick, aged and helpless through health care facilities and services. The organization owns and operates the Whispering Pines Health Care Center, a nursing home in Valparaiso. The majority of the center's patients are low- and moderate-income individuals, over 60% of whom are Medicaid recipients.

SERVICE TEST

The bank's performance under the Service Test is rated "Outstanding". This conclusion is based on the following:

- Delivery systems were readily accessible to geographies and individuals of different income levels in the AA.
- The record of opening and closing branches improved the accessibility of the bank's delivery systems to low- and moderate-income individuals in the AA.
- Services and business hours were tailored to the convenience and needs of the AA.
- The bank provided a high level of community development services.

Retail Banking Services

Refer to Table 13 for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

FNBV's delivery systems were readily accessible to geographies and individuals of different income levels in its AA. While there were no low-income geographies in the AA, the proportion of the bank's branches in the moderate-income geography substantially exceeded the proportion of the AA population living in that geography.

FNBV's record of opening and closing branches improved the accessibility of its delivery systems to low- and moderate-income individuals. The newly opened Westville branch, while located in a middle-income geography, provided convenient access to the bank's services for nearby pockets of low- and moderate-income residents. The bank's record of opening and closing branches had no impact on the accessibility of its delivery systems in the moderate-income geography.

FNBV's services and business hours were tailored to the convenience and needs of its AA, including the moderate-income geography and low- and moderate-income individuals. The bank provided the same loan and deposit products at all of its branches, including flexible mortgage loan programs and a low-cost basic checking account designed to meet the needs of low- and moderate-income individuals. The

bank offered comparable business hours among its branches, consisting of regular hours for lobby services and extended hours for drive-up services on Monday through Friday, with supplemental hours on Saturday. As an added convenience, one of the bank's branches in the moderate-income geography opened at 6:30 a.m. Monday through Saturday, the earliest opening time of all its branches.

FNBV's network of automated teller machines (ATMs) provided an effective alternative system for delivering retail-banking services in the moderate-income geography. The proportion of the bank's ATMs in the moderate-income geography (25%) substantially exceeded the proportion of the AA population living in that geography.

Alternative delivery systems also included free telephone and on-line banking services. These services allowed customers to obtain deposit and loan account information, transfer funds between accounts and make loan payments. No data were available concerning the use of these services by low- and moderate-income individuals; therefore, significant weight was not placed on these services in the Service Test conclusions.

Community Development Services

FNBV provided a high level of community development services that were responsive to the needs of its AA, and was considered a leader in its work with a local community development corporation. The bank provided financial services designed to meet the needs of low- and moderate-income individuals, and bank officers provided technical assistance on financial matters to community development organizations. For example:

- The bank provided the Thrift Account, a low-cost basic checking account affordable to low- and moderate-income individuals. The account terms included no minimum opening deposit, no minimum balance requirement, a \$1 per month maintenance fee, seven checks per month at no extra cost, and additional checks for only 70 cents. The bank had 2,357 accounts outstanding on its books totaling over \$1.6 million.
- The bank provided home ownership education and counseling to customers applying for the Affordable Gold 97 Program, a flexible home loan program through Freddie Mac designed for low- and moderate-income homebuyers who have minimal funds for down payment and closing costs.
- At the Greater Michigan City Community Development Corporation's Home Buying Fair 2000, bank officers presented affordable housing loan information and counseling on establishing or repairing credit to prospective first-time home buyers.
- An officer of the bank served on the board of directors of the Greater Valparaiso Community Development Corporation (CDC). The CDC's purpose is to address the need for affordable housing in the community, with a focus on development of

single-family homes that are affordable to low- and moderate-income families. The bank officer provided financial advice, assisted in determining site locations, prepared and filed paperwork to obtain state funding, and solicited support from other local banks. According to a staff member of the CDC, the bank served as a leader in the CDC since its inception 10 years ago.

- The bank's senior loan officer served on the board of directors of the Northwest Indiana Regional Development Corporation (RDC). The RDC is a certified development company under the Small Business Administration's "504" Loan Program for the seven-county area that defines northwest Indiana. The "504" program is designed to enable small businesses to create and retain jobs. Since 1998, the RDC assisted 78 businesses obtain "504" financing, which resulted in 947 jobs that were created or retained. As a member of the board, the bank officer assisted with marketing the "504" program, reviewing and approving loan requests, and managing the loan portfolio.

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).

Time Period Reviewed	Lending Test (excludes CD Loans): 01/01/1998 to 12/31/1999 Investment and Service Tests and CD Loans: 03/30/1998 to 09/11/00	
Financial Institution	Products Reviewed	
First National Bank, Valparaiso Valparaiso, Indiana	Home mortgage loans, small loans to businesses, small loans to farms and community development loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.		
List of AAs and Type of Examination		
AA	Type of Exam	Other Information
All of Porter County and portions of Lake County in Gary MSA #2960, and portions of LaPorte and Starke Counties which are not part of an MSA.	Full-Scope	

Appendix B: Market Profile for Full-Scope Area

FNBV's AA in Porter County and portion of Lake County (Gary MSA #2960) and portions of LaPorte and Starke counties.

Demographic Information for Full-Scope Area:						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	28	0.00	3.57	53.57	39.29	3.57
Population by Geography	184,304	0.00	2.70	62.29	35.01	0.00
Owner-Occupied Housing by Geography	48,340	0.00	0.71	60.25	39.04	0.00
Businesses by Geography	6,137	0.00	6.39	62.21	31.40	0.00
Farms by Geography	621	0.00	0.64	69.57	29.79	0.00
Family Distribution by Income Level	49,109	13.28	15.83	24.74	46.15	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	14,293	0.00	2.07	72.85`	25.08	0.00
Median Family Income	= \$40,938	Median Housing Value		= \$68,978		
HUD Adjusted Median Family Income for 1998	= \$51,571	Unemployment Rate		= 2.48%		
Households Below the Poverty Level	= 6.68%					

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

Source: 1990 U.S. Census, and 2000 HUD updated MFI.

FNBV is headquartered in Valparaiso, Indiana, which is the county seat of Porter County. The bank's AA consists of all of Porter County, the southeast corner of Lake County, the western portion of LaPorte County, and the southwest corner of Starke County. Porter County and the portion of Lake County are part of the Gary MSA #2960. LaPorte and Starke Counties, which are adjacent to Porter County, are not part of an MSA. The bank included three out of 104 geographies in Lake County, seven out of 29 geographies from LaPorte County and one out of seven geographies from Starke County in its AA. There are a total of 28 contiguous geographies in the bank's AA. While the bank's AA includes geographies both inside and outside the Gary MSA, the AA does not extend substantially beyond the MSA's boundaries. There are no low-income geographies and one moderate-income geography in AA. Fifteen (54%) are middle-income geographies and eleven (39%) are upper-income. There is one geography that is not designated by income level. This geography is part of a military installation and has no residents.

FNBV's AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas.

The 2000 HUD adjusted median family income for the AA is \$51,571, an increase of 26% from the 1990 median family income. Based on 1990 family income, thirteen percent of the families in the bank's AA are low-income and sixteen percent are moderate-income.

The total population at the 1990 census was 184,304, with less than 3% of the population living in the moderate-income census tract, 62% in middle-income census tracts and 35% in upper-income census tracts.

There are 67,231 housing units in the AA with 72% owner-occupied units and 23% rental-occupied units. The weighted average median housing cost is \$68,978 and the average age of housing units is approximately 33 years.

The local economy is stable. Eighty-eight percent of the businesses in the area have gross revenues of less than \$1 million. The primary industry in the AA is services (38%), followed by retail trade (18%) and construction (11%). In 2000, the unemployment rate in the AA is low at 2.48%. Major employers in the area are Bethlehem Steel, Porter Memorial Hospital and Valparaiso University.

In Porter County, where the bank has 11 of its 16 branches, there are 12 FDIC insured deposit taking financial institutions, whereas there are numerous lenders, besides depository institutions, that offer a variety of loan products.

Appendix C: Tables of Performance Data

Content of Standardized 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: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/AA; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/AA.

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

Table 1. Lending Volume Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/AA.

Table 2. Geographic Distribution of Home Purchase Loans Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 3. Geographic Distribution of Home Improvement Loans See Table 2.

Table 4. Geographic Distribution of Refinance Loans See Table 2.

Table 5. Geographic Distribution of Small Loans to Businesses The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 6. Geographic Distribution of Small Loans to Farms The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/AA. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The

table also presents data on branch openings and closings in each MSA/AA.

Table 1. Lending Volume

LENDING VOLUME													
MSA/Assessment Area:		Home Mortgage**		Small Loans to Businesses**		Small Loans to Farms		Community Development***		Total Reported Loans		% of Rated Area Loans(# in MSA/AA	
		# \$ (000's)		# \$ (000's)		# \$ (000's)		# \$ (000's)		# \$ (000's)		# \$ (000's)	
Full-Scope:													
FNBV/Assessment Area		100.00	1,515	116,069	840	55,148	72	4,819	3	159	2,430	176,195	100.00

(*) Deposit data as of June 30, 1999

(**) The evaluation period for Home Mortgage Loans, Small Loans to Businesses and Small Loans to Farms is 1/1/1998 to 12/31/1999

(***) The evaluation period for Community Development Loans is 3/30/1998 to 9/1/2000.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE																	
MSA/Assessment Area:		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*		Market Share by Geography*		Total Home Purchase Loans			
		% Owner Occ Units		% Owner Occ Units		% Owner Occ Units		% Owner Occ Units		Overall Market Rank*		Low Mod Upp		% of Total**			
Full-Scope:																	
FNBV/Assessment Area		0.00	0.00	0.71	1.30	60.25	53.03	39.04	45.67	3	6.01	0.00	8.00	5.55	6.58	462	100.00

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT State: Indiana Evaluation Period: 1/1/1998 to 12/31/1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*		Market Share by Geography*			Total Home Improvement Loans		
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	Overall Market Rank*	Overall	Low	Mod	Mid	Upp	#	% of Total**
FNBV/Assessment Area	0.00	0.00	0.71	0.38	60.25	43.02	39.04	56.60	2	14.23	0.00	0.00	10.38	20.73	265	100.00
Full-Scope:																

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE State: Indiana Evaluation Period: 1/1/1998 to 12/31/1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*		Market Share by Geography*			Total Home Mortgage Refinance Loans		
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	Overall Market Rank*	Overall	Low	Mod	Mid	Upp	#	% of Total**
FNBV/Assessment Area	0.00	0.00	0.71	0.89	60.25	50.00	39.04	49.11	3	7.23	0.00	5.19	6.57	8.11	788	100.00
Full-Scope:																

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES										Evaluation Period: 1/1/1998 to 12/31/1999							
MSA/Assessment Area:		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*			Market Share by Geography*			Total Small Business Loans	
		% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	Overall Market Rank*	Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																	
FNBV/Assessment Area		0.00	0.00	6.39	11.07	62.21	50.60	31.40	38.33	5	6.91	0.00	6.37	6.82	7.70	840	100.00

(*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

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

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS										Evaluation Period: 1/1/1998 to 12/31/1999							
MSA/Assessment Area:		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*			Market Share by Geography*			Total Small Farm Loans	
		% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	Overall Market Rank*	Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																	
FNBV/Assessment Area		0.00	0.00	0.64	0.00	69.57	73.61	29.79	26.39	3	12.15	0.00	0.00	11.91	13.25	72	100.00

(*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(**) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		State: Indiana		Evaluation Period: 1/1/1998 to 12/31/1999											
MSA/Assessment Area:	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Overall Market Rank**	Market Share by Borrower Income**				Total Home Purchase Loans					
	% of Families	% of Families	% of Families	% of Families		Overall	Low	Mod	Mid		Upp	#	% of Total***		
FNBV/Assessment Area	13.28	5.19	17.75	24.74	32.90	46.15	42.64	3	6.01	4.69	6.21	7.27	7.36	462	100.00
Full-Scope:															

(*) As a percentage of loans with borrower income information available. No information was available for 1.52% of loans originated by the bank.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		State: Illinois		Evaluation Period: 1/1/1998 to 12/31/1999											
MSA/Assessment Area:	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Overall Market Rank**	Market Share by Borrower Income**				Total Home Improvement Loans					
	% of Families	% of Families	% of Families	% of Families		Overall	Low	Mod	Mid		Upp	#	% of Total***		
FNBV/Assessment Area	13.28	10.94	14.34	24.74	30.94	46.15	40.75	2	14.23	25.37	11.98	13.07	13.61	265	100.00
Full-Scope:															

(*) As a percentage of loans with borrower income information available. No information was available for 3.03% of loans originated by the bank.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		State: Illinois		Evaluation Period: 1/1/1998 to 12/31/1999								
MSA/Assessment Area:	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Overall Market Rank**	Market Share by Borrower Income**				Total Home Mortgage Refinance Loans		
	% of Families	% of Families	% of Families	% of Families		Overall	Low	Mod	Mid		Upp	% of Total****
FNBV/Assessment Area	13.28	15.83	24.74	46.15	3	7.23	5.45	7.65	7.33	8.49	788	100.00
Full-Scope:												

(*) As a percentage of loans with borrower income information available. No information was available for 4.32% of loans originated by the bank.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		State: Indiana		Evaluation Period: 1/1/1998 to 12/31/1999					
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less	Businesses with Revenues of \$1 million or less	Loans by Original Amount Regardless of Business Size	Market Share****		Total Small Loans to Businesses			
	% of Businesses*	% BANK Loans**	\$100,000 or Less to > \$100,000	All	Rev \$1 million or less		% of Total****		
FNBV/Assessment Area	88.10	76.31	84.17	10.36	5.48	6.91	7.56	840	100.00
Full-Scope:									

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.

(**) 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 2.86% of loans originated by the bank.

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

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

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		State: Illinois	Evaluation Period: 1/1/1998 to 12/31/1999		Total Small Farm Loans			
MSA/Assessment Area:	Farms with Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size		Market Share***			
	% of Farms*	% BANK Loans**	\$100,000 or Less	> \$100,000 to \$250,000	All	Rev \$1 million or less		
Full-Scope:							#	% of Total****
FNBV/Assessment Area	98.39	94.44	83.33	9.72	12.15	13.57	72	100.00

(*) Farms with revenues of \$1 million or less as a percentage of all farms.

(**) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 1.39% of loans originated by the bank.

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

(****) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		State: Illinois	Evaluation Period: 03/30/1998 to 9/11/2000		Unfunded Commitments**	
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
Full-Scope:						
FNBV/Assessment Area	0	0	21	109	109	100.00
					0	0

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

(**) Unfunded Commitments means legally binding investment commitments that are tacked and reported by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS													State: Illinois			Evaluation Period: 1/1/1998 to 12/31/1999		
MSA/Assessment Area:	Deposits		Branches				Branch Openings/Closings			Population								
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies			# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)			% of the Population within Each Geography						
				Low	Mod	Upp			Low	Mod	Upp	Low	Mod	Upp				
FNB/Assessment Area	100.00	16	100.00	0	25.00	56.25	18.75	1	3	0	0	+2	0	0	2.70	62.29	35.01	
Full Scope:																		