

PUBLIC DISCLOSURE

April 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Terre Haute First National Bank
Charter Number 47**

**One First Financial Plaza
6th Street and Wabash Ave
Terre Haute, Indiana 47808**

**Office of the Comptroller of the Currency
Indianapolis Field Office
8777 Purdue Road, Suite 105
Indianapolis, Indiana 46268-3109**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Terre Haute First National Bank** (THFNB) prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 12, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

THFNB received a rating of “outstanding” at the last CRA examination dated August 23, 1996. This examination covers THFNB's performance from August 24, 1996 to April 12, 1999. We focused our review on Home Mortgage Disclosure Act (HMDA), small business, and small farm loans in assessing the bank's lending performance. The bank elected not to provide us consumer loan data for our review. See the Appendix for a definition of terms used within this public evaluation.

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated “**Outstanding** record of meeting community credit needs”.

The following are the primary factors supporting THFNB's performance under the Lending, Investment, and Service tests. The factors are detailed by order of importance.

Lending Test

- A good geographic distribution and borrower distribution of HMDA loans.
- An excellent distribution of loans to businesses of different sizes.
- An excellent level of community development loans in response to community needs.
- A substantial majority of loans originated within the bank's assessment area.
- An extensive use of affordable mortgage loan programs to meet identified credit needs.

Investment Test

- An excellent level of qualified investments in response to community needs.

Service Test

- A leader in providing community development services.
- Delivery systems readily accessible to geographies and individuals of different income levels.

The following table indicates the performance level of THFNB with respect to the lending, investment, and service tests.

Performance Levels	Terre Haute First National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Non Compliance			

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

DESCRIPTION OF INSTITUTION

THFNB is a \$1.1 billion intrastate bank owned by First Financial Corporation (FFC), which is headquartered in Terre Haute, Indiana. FFC's total assets were \$1.8 billion as of December 31, 1998. FFC owns eight other banks in Illinois (3) and Indiana (5).

THFNB is a full service financial institution with a primary focus on residential real estate, commercial, commercial real estate, and consumer lending. THFNB does not focus on agricultural lending. As of March 31, 1999, outstanding loans totaled \$680 million. The loan portfolio was comprised of residential real estate (44%), commercial and commercial real estate (32%), consumer (19%), agricultural (2%), government (2%), and other (1%) loans. The bank's Tier 1 Capital ratio and Return on Average Assets were 7.7% and 1.0%, respectively.

There were no legal impediments identified that would hamper the bank's ability to help meet assessment area credit needs. THFNB's capacity to serve community credit needs is strong.

DESCRIPTION OF ASSESSMENT AREA

THFNB's assessment area is Vigo County, which is part of the Terre Haute, Indiana, Metropolitan

Statistical Area (MSA 8320). THFNB does not have any branches in the other two counties (Clay and Vermillion counties) of this MSA. THFNB operates eleven full-service branches within its assessment area.

The city of Terre Haute (Vigo County) is located seven miles east of the Indiana - Illinois state line, on the eastern banks of the Wabash River. The city is approximately seventy miles southwest of Indianapolis and is the county seat of Vigo County. Major industries include higher education, manufacturing, aerospace, and high-tech machinery products. Terre Haute is also the home of Indiana State University and Rose-Hulman Institute of Technology. The local economy is stable with moderate employment growth. It is anticipated a new 1,500-acre industrial park in Terre Haute will significantly improve the local economy by creating new jobs. The industrial park is part of an economic development plan supported by Vigo County. Seven new businesses have located or will locate in the industrial park creating approximately 1,000 new jobs by year-end 2001. The majority of the employees will receive wages ranging from an hourly rate of \$8.50 to \$19.00 per hour.

According to 1990 census information, 1 (3%) of the geographies in the assessment area is low-income, 11 (38%) are moderate-income, 10 (35%) are middle-income, and 7 (24%) are upper-income. The low-income geography is located in the city of Terre Haute. As a whole, the assessment area consists of 2% (29) of total Indiana geographies and 2% (106,107) of the state's population.

As of 1990, the assessment area had approximately 26,854 families. Nineteen percent of the families were low-income, 19% were moderate-income, 23% were middle-income, and 39% were upper-income. As of 1998, the MSA median family income was \$38,900. Approximately, 11% of families live below the poverty level, which is comparable to the state of Indiana's poverty level. This information was used to evaluate THFNB's lending of residential real estate loans to borrowers of different income levels.

Tables 2, 3, and 4 include the percentage of owner-occupied housing units located in the four geographic income categories within the assessment area. The tables detail that less than 1% and 27% of all owner-occupied housing units (27,566) are located in low- and moderate-income geographies, respectively. There are only six owner-occupied housing units located in the assessment area's one low-income geography, as this is a downtown commercial area. Consequently, the opportunity for originating residential real estate loans in low-income geographies is limited. This information was used to evaluate THFNB's geographic distribution of residential real estate loans.

Tables 5 and 6 include the percentage of businesses and farms in the four geographic income categories within the assessment area. Table 5 details 10% (270) and 36% (955) of all businesses are located in low- and moderate-income geographies, respectively. A total of 2,676 businesses, including 1,910 (71%) small businesses (revenues less than or equal to \$1,000,000), are located in Vigo County. Table 6 details 2% (1) and 15% (9) of all farm related businesses are located in low- and moderate-income geographies, respectively. Consequently, the opportunity for originating small farm loans in low- and moderate-income geographies is limited. A total of 59 farms, including 55 (93%) small farms (revenues of less than \$1,000,000), are located in Vigo County.

Competition is strong. Ten deposit-taking financial institutions have branch offices within THFNB's assessment area. THFNB is the largest financial institution in Vigo County based on its deposit market share¹ (52%) as of June 30, 1998. THFNB's primary competition includes The Merchant's National Bank of Terre Haute, Civitas Bank, Terre Haute Savings Bank, and Indiana State University Federal Credit Union.

The credit and non-credit related needs in the bank's assessment area include the following.

- C Affordable housing (i.e. single family rental, multifamily rental, home ownership, and rehabilitation) for low- and moderate-income individuals. Public and rental assisted housing were also identified as needs. According to a representative from the Terre Haute Housing Authority, there are approximately 500 individuals on their waiting list for affordable housing.
- C Loans to small businesses.
- C Economic development loans to new or existing businesses that supply jobs to low- and moderate-income individuals.
- C Public works projects in targeted low- and moderate-income geographies, such as street resurfacing, water and drainage systems, and new sidewalks.
- C Small consumer loans, with loan amounts of \$3,000 or less.

These community needs were determined by contacting two community representatives from a local housing authority and a redevelopment agency. The U.S. Department of Housing and Urban Development (HUD) Consolidated Strategy and Plan for the city of Terre Haute was also reviewed. HUD Consolidated Strategies and Plans are comprehensive planning documents that identify community needs.

Opportunities for qualified investments, community development loans, and community development services do exist within the bank's assessment area. These opportunities include low-income housing tax credits, non-profit housing organizations, credit counseling agencies, and non-profit organizations that provide social services to low- and moderate-income individuals. Limited opportunities exist to purchase community development municipal bonds. No local opportunities were identified for investments in affordable housing revenue bonds or community development corporations (CDCs).

¹ Deposit market share and ranking data was provided as a tool for assessing the relative size of THFNB. It is not a measure of THFNB's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

In evaluating the bank's lending performance, more weight was placed on HMDA and small business loans than small farm loans. Small farm loans represented less than 5% of total loan originations. More weight was placed on home purchase and home improvement loans than home mortgage refinance loans, since they were identified as credit needs.

Assessment Area Concentration

A substantial majority of THFNB's loans were made within its assessment area. Eighty-four percent, 88%, and 84%, respectively, of HMDA, small business, and small farm loans were originated within the bank's assessment area. See Table 1 for the number and dollar amount of loans originated within the bank's assessment area.

Lending Activity

Loans originated during the evaluation period reflected an excellent responsiveness to identified credit needs. THFNB has originated a large volume of community development loans with proceeds used for affordable housing (\$5.0 million) and economic development (\$9.3 million). The economic development loans have financed new businesses that have created or will create a significant number (approximately 160) of new jobs for low- and moderate-income individuals. See pages 8 and 9. THFNB has also originated a large number of affordable mortgages (148 loans) to low- and moderate-income individuals and small business loans (1,044 loans). See pages 10 and 19. THFNB's market share of reported 1997 small business loans was 51%. This performance was good.

Geographic Distribution of Loans

THFNB's geographic distribution of HMDA loans reflected good penetration throughout moderate-income geographies. The bank's distribution of small business and small farm loans reflected adequate penetration throughout low- and moderate-income geographies. No conspicuous gaps in the penetration of geographies within the bank's assessment area were identified. A meaningful geographic analysis of HMDA and small farm loans in low-income geographies could not be performed. Available demographic data indicates only six owner-occupied housing units and one farm are located in these geographies.

Tables 2, 3, and 4 compare the bank's level of home purchase, home improvement, and home mortgage refinance loans to the proportionate percentage of owner-occupied housing units by type of geography. Twenty-four percent of THFNB's home purchase loans were originated in moderate-income geographies. This distribution was good when compared to the percentage (27%) of owner-

occupied housing units located in these geographies and excellent when compared to the local competition's² distribution of loans. In 1997, the local competition originated 18% of its home purchase loans in moderate-income geographies. This is significantly less than THFNB's performance (24%). THFNB's market share (see Table 2) further substantiates the bank's excellent performance. THFNB's market share of home purchase loans in moderate-income geographies (36%) exceeded its overall market share (32%) of home purchase loans.

Twenty-seven percent and 21% of home improvement and home mortgage refinance loans were originated in moderate-income geographies. This distribution was adequate when compared to the percentage (27%) of owner-occupied housing units and the bank's market share (see Tables 3 and 4). THFNB's market share of home improvement (52%) and home mortgage refinance (26%) loans in moderate-income geographies did not exceed its overall market shares of 52% (home improvement) and 30% (home mortgage refinance), respectively. The local competition originated 27% and 20% of home improvement and home mortgage refinance loans, respectively, in moderate-income geographies.

Table 5 compares the bank's level of small business loans with the proportionate number of businesses operating in the type of geography. Nine percent of THFNB's loans were originated in low-income geographies. This distribution was good when compared to the percentage (10%) of businesses located in these geographies and the local competition's distribution of loans. In 1997, the local competition originated 8% of its small business loans in low-income geographies. THFNB's market share (see Table 5) further substantiates the bank's good performance. THFNB's market share of small business loans in low-income geographies (55%) exceeded its overall market share of 51%.

The bank's distribution of small business loans in moderate-income geographies (29%) was adequate when compared to the percentage (36%) of businesses located in these geographies and the local competition's distribution of loans. In 1997, the local competition originated 32% of its small business loans in moderate-income geographies. THFNB's market share (see Table 5) further substantiates the bank's adequate performance. THFNB's market share of small business loans in moderate-income geographies (49%) was comparable to its overall market share (51%) of small business loans.

Table 6 compares the bank's level of small farm loans with the proportionate number of farms operating in the type of geography. THFNB originated 6% of its small farm loans in moderate-income geographies. The penetration was adequate given 15% of small farms are located in moderate-income geographies and that THFNB does not specialize in agricultural lending. THFNB's market share (see Table 6) of small farm loans in moderate-income (67%) geographies did not exceed its overall market share of 80%.

Loan Distribution by Borrower Income

² The local competition consists of ten deposit taking financial institutions with branches in Vigo County. They consist of The Merchant's National Bank of Terre Haute, Terre Haute Savings Bank, Civitas Bank, Indiana State University Federal Credit Union, The Morris Plan Company of Terre Haute, Inc., First National Bank and Trust, AmBank Indiana, N.A., Columbia Records Employees Credit Union, PSI Terre Haute Federal Credit Union, and Vigo County Federal Credit Union.

THFNB's distribution of HMDA loans to low- and moderate-income individuals was good. The bank's distribution of loans to businesses and farms of different sizes was excellent.

Tables 7, 8, and 9 compare THFNB's home purchase, home improvement, and home mortgage refinance lending to borrowers of different income levels to the proportionate number of families in each income level. THFNB originated 6% and 12% of home purchase and home improvement loans, respectively, to low-income borrowers. Nineteen percent of all families are low-income. The bank's distribution of these loans was excellent when compared to the local competition's distribution of loans (home purchase - 5% and home improvement - 6%) and given the poverty level. Eleven percent of the families within the assessment area live below the poverty level. This poverty rate is an indication that a significant number of families lack sufficient income to purchase a home. THFNB's market share (see Tables 7 and 8) further substantiates the bank's excellent performance. THFNB's market share of home purchase (34%) and home improvement (63%) loans to low-income borrowers exceeded its overall market shares of 32% (home purchase) and 52% (home improvement), respectively. THFNB's distribution of home mortgage refinance loans to low-income borrowers (7%) was adequate given its market share of 26% was less than its overall market share of 30% (see Table 9). The local competition's distribution of home mortgage refinance loans to low-income borrowers was also 7%.

THFNB originated 19% and 24% of home purchase and home improvement loans, respectively, to moderate-income borrowers. The bank's distribution of these loans was excellent given the percentage (19%) of families that are moderate-income and the local competition's distribution of loans. In 1997, the local competition originated 14% and 17% of its home purchase and home improvement loans, respectively, to moderate-income individuals. THFNB's market share (see Tables 7 and 8) further substantiates the bank's excellent performance. The bank's market share of home purchase (34%) and home improvement (60%) loans exceeded its overall market shares of 32% (home purchase) and 52% (home improvement), respectively. THFNB's distribution of home mortgage refinance loans to moderate-income borrowers (15%) was adequate given its market share of 21% was less than its overall market share of 30% (see Table 9). The local competition's distribution of home mortgage refinance loans to moderate-income borrowers was 17%.

Table 10 indicates 80% of THFNB's small business loans were originated to businesses with gross revenues of \$1 million or less. This performance was excellent when compared to the percentage (71%) of businesses with gross revenues of \$1 million or less and the aggregate market's percentage of 73%. THFNB's market share (54%) of loans to businesses with gross revenues of \$1 million or less exceeded its overall market share (51%) of all small business loans. Seventy-eight percent of all small business loans were originated for amounts of \$100,000 or less for an average loan size of \$93,000. This data indicates THFNB has an excellent record of serving the credit needs of businesses within its assessment area.

Table 11 indicates 99% of THFNB's small farm loans were made to farms with gross revenues of \$1 million or less (i.e. small farms). This performance was good when compared to the percentage (93%) of small farms and the aggregate market's percentage of 99%. THFNB's market share (79%) of loans to small farms approximated its overall market share (80%) of all small farm loans. Ninety percent of all

small farm loans were made for amounts of \$100,000 or less for an average loan size of \$42,000. This data indicates THFNB has a good record of serving the credit needs of very small farms within its assessment area.

Community Development Lending

In Vigo County, a primary community development lending need was affordable housing for low- and moderate-income individuals. An additional need was economic development loans to new or existing businesses that supply jobs to low- and moderate-income individuals. THFNB was a leader in making community development loans in response to community credit needs.

THFNB has originated an excellent level (\$14.7 million) of community development loans. Approximately \$5.0 million was used to construct both single family and multifamily housing units designated for low- and moderate-income individuals. Approximately 100 housing units were constructed with these loan proceeds. Three loans for \$9.3 million were used to promote economic development by financing new or existing businesses that have created or will create approximately 160 new permanent jobs for low- and moderate-income individuals. A summary of these and other loans is detailed below.

Affordable Housing

- C A \$800,000 loan to the Terre Haute Housing Authority (Housing Authority). Loan proceeds were used to provide temporary funding of general operating expenses until permanent operating funds were received from local, state, and federal agencies. The Housing Authority provides housing to low- and moderate-income individuals. It currently owns and manages approximately 2,000 units.
- C A \$700,000 loan was combined with \$1.3 million in low-income housing tax credits and a \$475,000 government grant to construct and provide permanent financing for thirty single family low-income rental houses. The units are located in the city of Terre Haute.
- C A \$3.4 million loan was combined with \$2.2 million in low-income housing tax credits to construct and provide permanent financing for a fifty-six-unit apartment complex located in the city of Terre Haute.
- C A \$50,000 loan to a non-profit housing organization that provides single family, owner-occupied housing to low-income individuals residing in Vigo County. Loan proceeds were used to purchase building materials and cover general operating expenses.

Economic Development

- C Three loans totaling \$5.3 million (\$232,000 funded to date) to a steel manufacturer. The new manufacturing plant will be located in the industrial park in the city of Terre Haute. Refer to page 3 for additional information regarding the industrial park. The above loans will be combined with other

funding sources³ for land acquisition, construction and permanent financing of the manufacturing plant, and to purchase equipment. The new plant will promote economic development by creating permanent jobs for low- and moderate-income individuals. Projections indicate this business will create approximately 160 new jobs by year-end 2000. Approximately 130 of these jobs will consist of production and office positions with wages ranging from \$8.50 to \$11.00 per hour (\$17,680 to \$22,880 per year).

- C A \$2.0 million loan to a steel fabricating manufacturer located in the city of Terre Haute. Loan proceeds will be used to expand operations by constructing an additional manufacturing facility. The additional facility will promote economic development by creating permanent jobs for low- and moderate-income individuals. This small business currently employs approximately 170 individuals whose wages range from \$9.00 to \$17.00 per hour. It is anticipated that eighteen additional employees will be hired at wages ranging from \$9.00 to \$10.00 per hour (\$18,720 to \$20,800 per year).
- C THFNB purchased \$2.0 million of a \$4 million Terre Haute Redevelopment Revenue Bond⁴ with proceeds used to construct a multi-purpose building containing retail shops, office space, and thirty-three apartment units (Center City Project). The city's ownership, construction, and development of this property is part of a master plan to revitalize an Indiana Enterprise Zone located in downtown Terre Haute. Projections indicate the retail shops will employ fifteen low- and moderate-income individuals. The apartments will consist of one and two-bedroom units that will be affordable for low- and moderate-income individuals. The estimated completion date of this project is late 1999 or early 2000.

Other Purposes

- C A \$300,000 loan to the city of West Terre Haute. Loan proceeds were combined with a \$1.4 million industrial redevelopment municipal bond to construct a new water tower, thus stabilizing the town. The existing water tower was dilapidated and in critical need of replacement. The failure to replace the existing water tower would result in further deterioration of the city. The entire city of West Terre Haute is located in a moderate-income geography with 57% of the city's 790 families categorized as low- and moderate-income.
- C Three loans (\$167,000) to a non-profit organization that provides childcare and other social services to low- and moderate-income individuals residing in Vigo County. This organization serves approximately 1,300 children and 900 families.

³ Other funding sources included tax abatements from Vigo County.

⁴ Non rated redevelopment bonds are categorized as loans for regulatory reporting purposes.

Flexible Lending Practices

THFNB makes extensive use of proprietary and non-proprietary affordable mortgage programs to meet identified credit needs. One hundred and forty-eight loans (\$3.9 million) were originated. This amount represents 52% of all (284) home purchase loans that were originated by THFNB to low- and moderate-income individuals. Summaries of these loan programs are detailed below.

- C THFNB continues to use a proprietary affordable mortgage loan program to meet the housing needs of low- and moderate-income individuals. Flexible loan underwriting criteria include 95% financing with no requirement for private mortgage insurance, reduced closing costs, acceptance of grants and gifts for down payment, and the use of non traditional sources for establishing a credit history. The maximum home purchase price is \$40,000, with a maximum term of twenty years. A total of 133 loans (\$3.3 million) were originated during the evaluation period.
- C THFNB continues to use non-proprietary affordable mortgage loan programs administered through the Indiana Housing Authority (IHA). IHA has offered various loan programs in recent years. Flexible loan underwriting standards have consisted of reduced down payment (1% to 5%), down payment assistance, more lenient debt-to-income ratios, and the use of non traditional sources for establishing a credit history. Fifteen loans (\$593,500) were originated during the evaluation period.

Investment Test

In Vigo County, a primary need was affordable housing for low- and moderate-income individuals. An additional need was economic development activities that create job opportunities for low- and moderate-income individuals. THFNB has exhibited excellent responsiveness and leadership in support of community development initiatives by its use of complex qualified investments consisting of low-income housing tax credits to meet affordable housing needs. THFNB was the first financial institution in Vigo County to use low-income housing tax credits and has participated in three of the four approved tax credit applications in Vigo County. Additionally, THFNB has participated in all identified opportunities for investment in community development municipal bonds. THFNB's level (\$5.1 million) of qualified investments is excellent given the bank's size and available opportunities. Based on available information, THFNB's level of qualified investments was twice as much as any other financial institution located in Vigo County. The bank's qualified investments are mainly comprised of low-income housing tax credits (\$2.5 million) and two redevelopment municipal bonds (\$2.6 million). A summary of these and other qualified investments is detailed below.

Low Income Housing Tax Credits

The first two low-income housing tax credits, detailed below, were combined with THFNB's community development loans to provide funding for these projects.

- C In late 1996, THFNB purchased 99% of a \$1.3 million low-income housing tax credit. Proceeds

were used to construct and provide permanent financing for thirty single-family low-income rental houses located in the city of Terre Haute.

- C In 1997, THFNB purchased 32% (\$709,506) of a \$2.2 million low-income housing tax credit. Proceeds were to construct and provide permanent financing for a fifty-six-unit apartment complex located in the city of Terre Haute.
- C In 1994, a previous CRA evaluation period, THFNB purchased 99% of a \$1 million low-income housing tax credit. These funds were combined with other funding sources to construct a fifty-six-unit apartment complex for low-income individuals residing in the city of Terre Haute. The bank's current balance of this investment is \$527,396.

Redevelopment Municipal Bonds

- C In 1997, THFNB purchased a \$1.4 million municipal bond. Proceeds were combined with a \$300,000 community development loan to construct a new water tower in the town of West Terre Haute. See page 9 for further details.
- C In 1998, THFNB purchased a \$1.3 million municipal bond with proceeds used to install water and sewer lines primarily to the new 1,500-acre industrial park. The industrial park is part of a master plan to promote economic development by attracting primarily new small businesses to Vigo County. It is anticipated the new industrial park will create permanent jobs for low- and moderate-income individuals.

Donations

In addition to the above qualified investments, THFNB contributed approximately \$18,000 to various organizations that provide social services and housing primarily for low- and moderate-income individuals.

Service Test

Accessibility of Delivery Systems

THFNB's delivery systems are readily accessible to geographies and individuals of different income levels. The bank currently operates eleven offices in Vigo County. Ten of the eleven offices have automated teller machines (ATMs). The branch without an ATM is located in an upper-income geography. THFNB also has twenty-eight stand-alone ATMs and two mobile ATMs to augment the branch network. The two mobile ATMs are used for special events within Vigo County. Branch hours are reasonable and do not significantly vary among the different branches. THFNB's core banking hours are from 9:00 AM to 3:00 PM Monday through Wednesday, with all offices open until at least 5:00 PM on Thursdays and Fridays. All branch offices provide a similar level of financial

services. Five of the eleven branches are open on Saturdays. The branch located in the moderate-income geography is open on Saturdays from 9:00 A.M. until noon. The main office, located in the low-income geography, is not open on Saturdays. However, this is not a concern given relatively few individuals reside in this geography as detailed below. The main office does have Saturday drive through hours.

Table 13 details the bank's distribution of branches in low- (9%), moderate- (9%), middle- (55%), and upper- (27%) income geographies and the percentage of individuals residing in these geographies. THFNB's delivery systems are readily accessible to all portions of its community given its branch distribution and alternative delivery systems (Loan Line and ATMs). Available demographic data indicates 10% (270) of businesses and less than 1% (360) of individuals reside in low-income geographies. Thirty-six percent (955) of businesses and 31% (32,090) of individuals reside in moderate-income geographies. Although only 9% of THFNB's branches are located in moderate-income geographies, three other branches are either across the street or a very short walk from moderate-income geographies.

Alternative Delivery Systems

THFNB has an effective alternative delivery system (i.e. Loan Line) for originating consumer loans. Loan Line allows individuals to apply for consumer loans over the telephone. If the application is approved, the applicant is asked to visit the nearest branch to sign the necessary loan documents. However, if necessary, a bank representative will bring the loan documents to the consumer for his/her signature. One hundred and ninety-two loans (\$1 million) have been originated since Loan Line was established in July of 1998. Approximately 20% of these loans were originated to individuals residing in low- and moderate-income geographies.

THFNB's ATM network also provides an effective alternative delivery system for conducting deposit and withdrawal transactions for individuals residing in low- and moderate-income geographies. During 1997 and 1998, 43% of all ATM transactions (669,000) occurred in low- and moderate-income geographies.

Changes in Branch Locations

THFNB has not closed any branch offices during the evaluation period. In December of 1998, THFNB opened a new branch office in an upper-income geography (census tract 107) in the city of Terre Haute.

Community Development Services

Community representatives indicate THFNB is a leader in providing community development services in response to identified needs. THFNB representatives are actively involved in all identified major organizations and government agencies in Vigo County that have a community development purpose. In many instances, a THFNB representative is the only banker that is a board member of these

organizations. The bank has exhibited its leadership role and responsiveness to community needs by its active and ongoing participation in the development of the new 1,500-acre industrial park and the Centre City Project. THFNB has also exhibited leadership qualities by assisting the Terre Haute Housing Authority in preparing three of the four approved low-income housing tax credit applications to meet affordable housing needs. THFNB was the first financial institution in Vigo County to assist the housing authority in the use of tax credits. Examples of these and other community development services for economic development, affordable housing, and other purposes are detailed below.

Economic Development

- C A representative of THFNB is one of five members of the Vigo County Redevelopment Commission (VCRC). VCRC's strategic objective is to promote economic development by attracting primarily new small businesses and industry to Vigo County, thus creating additional employment opportunities for local residents. The acquisition and development of the new 1,500-acre industrial park is one of VCRC's main projects. As a member of the VCRC, the bank representative mediates between prospective businesses and various city, county, and state agencies as well as private entities. He is involved in negotiations and discussions pertaining to land sales and development, infrastructure, financing (bond issues and loans), grants, tax abatements, and training of prospective workers. He also assists in assembling local and state incentive packages to attract new businesses. Due to the efforts of VCRC's five members, seven new businesses have located or will locate in the industrial park, creating approximately 1,000 new jobs by year-end 2001. Two of the seven new businesses have already opened for business. It is anticipated low- and moderate-income individuals will receive the majority of the new jobs.

- C A representative of THFNB assisted the city of Terre Haute with the development of the Center City Project. See page 9. THFNB's officer was actively involved in this project by assisting the city in developing strategic plans, preparing budgets, and obtaining the necessary financing from local financial institutions and government agencies.

- C A representative of THFNB is a board member of the West Central Indiana Economic Development District Board (WCIEDDB). One of WCIEDDB's objectives is to promote economic development by attracting primarily new small businesses to central Indiana, thus creating additional job opportunities for local residents. The other two objectives are to improve the transportation infrastructure of local communities (including public transportation) and to provide free meals to low income residents. In Vigo County, lunches are provided to local residents at four sites during Monday through Friday. As a board member, the bank representative assists in budgetary matters and applying for grants from the federal government.

Affordable Housing

- C A representative of THFNB assisted in preparing two Indiana Housing Finance Authority low-

income housing tax credit applications. The tax credits were used to partially fund thirty single family rental houses and a fifty-six unit apartment complex as noted on page 11. As part of the application process, THFNB's representative assisted in developing construction costs and cash flow projections, arranging for private and public financing, and assembling the development team consisting of an attorney, accountant, architect, and a general contractor.

- C Representatives of THFNB assisted Habitat for Humanity (Habitat), a non-profit housing organization, in applying for and receiving \$55,000 in grants from the Federal Home Loan Bank. The proceeds were used to help fund the construction costs of single family houses for low-income individuals. As part of THFNB's sponsorship of Habitat, the bank is required to monitor and file reports regarding the use of the grant money. THFNB's representatives also provide bookkeeping services for Habitat.
- C A representative of THFNB is a board member of the Vigo County Homes for Youth (VCHY). VCHY provides temporary shelter, for up to thirty individuals, primarily to low- and moderate-income abused teenagers. As a board member, the bank representative assists in budgetary matters and applying for grants from both the state and federal government.

Other

- C A representative of THFNB is an advisory board member of the Technical Assistance Service Center (TASC). TASC is a small business incubator that provides technical expertise to prospective entrepreneurs. As part of the advisory board, the bank representative assists prospective entrepreneurs in developing business plans, obtaining financing, and locating sites for opening a new business. TASC has assisted twelve new businesses since it was organized in 1997.
- C THFNB provides free government check cashing services to non-bank customers and has established a young savers program primarily for children of low-income individuals. Information was not readily available regarding the number of savings accounts that were opened.
- C THFNB representatives have conducted approximately twenty credit counseling and homebuyer seminars during the evaluation period.
- C THFNB sponsors annual community expositions in low- and moderate-income neighborhoods. Approximately thirty non-profit organizations are invited to inform local residents of available social services within Vigo County.

Fair Lending Review

A review for gender discrimination was performed by reviewing denied and approved home improvement applications received during 1998. The sample consisted of all denied applications to females and approved applications to males. No violations of the substantive provisions of the anti-discrimination laws or regulations were identified. THFNB's fair lending policies and procedures are

satisfactory.

APPENDIX

Definition of Terms

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a more concise synopsis of their meaning.

Aggregate Market - All deposit taking and non-deposit taking financial institutions that have originated loans within a particular assessment area. The aggregate market includes institutions that are located both inside and outside a particular assessment area.

Community Development - The primary purpose of the loan, investment, or service is for (1) affordable housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing small businesses and farms; and (4) activities that revitalize or stabilize low- or moderate-income areas.

Consumer Loan - A loan to one or more individuals for household, family, or other personal expenditures.

HMDA Loan - A residential real estate loan (home purchase, home refinance, home improvement, or multifamily).

Geography - A census tract (CT) or block numbering area (BNA).

Low-, Moderate-, Middle-, and Upper-Income Area - A low-income area is one in which the median family income is less than 50% of the area median income, moderate-income is 50% to 79% of the area median family income, middle-income is 80% to 119% of the area median family income, and upper-income is 120% or more of the area median family income.

Low-, Moderate-, Middle-, and Upper-Income Individuals - A low-income individual is an individual whose income is less than 50% of the area median income, moderate-income is 50% to 79% of the area median family income, middle-income is 80% to 119% of the area median family income, and upper-income is 120% or more of the area median family income.

Qualified Investment - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Table 1. Lending Volume

LENDING VOLUME		State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998						
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
Vigo County (part of MSA 8320)	100%	3,524	\$177,248	1,044	\$97,143	171	\$7,187	9	\$14,717	4,748	\$296,295	100%

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE		State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998										
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	< 1%	< 1%	27%	24%	43%	45%	30%	31%	1st	32%	25%	36%	33%	31%	1,101	100%

(*) Based on 1997 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT		State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998										
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	< 1%	0%	27%	27%	43%	43%	30%	30%	1st	52%	0%	52%	54%	51%	948	100%

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE		State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998										
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	< 1%	0%	27%	21%	43%	43%	30%	36%	1st	30%	0%	26%	32%	33%	1,475	100%

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS		State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998										
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 320)	10%	9%	36%	29%	33%	34%	21%	28%	1st	51%	55%	49%	54%	47%	1,044	100%

(*) Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM		State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998										
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	2%	0%	15%	6%	37%	32%	46%	62%	1st	80%	0%	67%	79%	84%	171	100%

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE																
State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998												
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	19%	6%	19%	19%	23%	24%	39%	49%	1st	32%	34%	34%	32%	35%	1,101	100%

(*) As a percentage of loans with borrower income information available. No information was available for 2% of loans originated by BANK.

(**) Based on 1997 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT																
State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998												
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	19%	12%	19%	24%	23%	26%	39%	37%	1st	52%	63%	60%	51%	47%	948	100%

(*) As a percentage of loans with borrower income information available. No information was available for 1% of loans originated by BANK.

(**) Based on 1997 Aggregate HMDA Data only.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE																
State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998												
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Vigo County (part of MSA 8320)	19%	7%	19%	15%	23%	24%	39%	52%	1st	30%	26%	21%	33%	41%	1,475	100%

(*) As a percentage of loans with borrower income information available. No information was available for 2% of loans originated by BANK.

(**) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS											
State: INDIANA				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998							
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Vigo County (part of MSA 8320)	71%	80%	73%	78%	14%	8%	51%	54%	1,044	100%	\$93,000

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

(**) As a percentage of loans with revenue information available. No information was available for 17% of loans originated by BANK.

(***) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1997 Aggregate Small Business Data only.

(****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: INDIANA Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998											
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Vigo County (part of MSA 8320)	93%	99%	99%	90%	8%	2%	80%	79%	171	100%	\$42,000

(*) As a percentage of farms with known revenues.

(**) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by BANK.

(***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: INDIANA Evaluation Period: August 24, 1996 TO April 12, 1999									
MSA/Assessment Area:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$=
Full-Scope:									
Vigo County (part of MSA 8320)	1	\$527	10%	15	\$4,654	90%	16	\$5,181	100%

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

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

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM																	
			State: INDIANA				Evaluation Period: August 24, 1996 to April 12, 1999										
MSA/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 the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Vigo County (part of MSA 8320)	100%	11	100%	9%	9%	55%	27%	45	100%	5%	22%	51%	22%	< 1%	31%	38%	31%