



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 12, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Horizon National Bank
Charter Number 23748**

**3510 W. 95th Street
Leawood, KS 66206**

**Comptroller of the Currency
ADC Dan L. Gipple- Kansas City South Field Office
6700 Antioch Road, Suite 450
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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or, opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Horizon National Bank (Horizon), Leawood, Kansas as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of March 12, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- The distribution of home purchase real estate loans reflects reasonable penetration among individuals of different income levels.
- A majority of the bank's commercial loans are made to small businesses.
- The bank's loan-to-deposit ratio is very good. This ratio averaged 136 percent since the bank opened in March 1999.
- A majority of the bank's loans are within its assessment area.

Our conclusions are based on a review of Horizon's CRA efforts since the bank opened in March 1999 through December 31, 2000. Our loan samples included a review of twenty home purchase loans and twenty commercial loans originated by the bank. We also reviewed all home purchase real estate loans originated in the assessment area by the bank's mortgage company during 1999 and 2000, which are reported under the Home Mortgage Disclosure Act (HMDA). The mortgage company became a department of the bank in November 2000. The volume of consumer and agricultural lending is not significant.

DESCRIPTION OF INSTITUTION

Horizon is a \$43 million institution owned by Ameri National Corporation, a one-bank holding company. The holding company is headquartered in Overland Park, Kansas and is affiliated with other business entities through the Tinsmans, who are principal shareholders. The bank's main office location is in Leawood, Kansas, which also has an automated teller machine (ATM). There are no branch locations. Net loans represent 71 percent of total assets. Horizon offers a full range of both lending and deposit services. The bank's business strategy is focussed primarily on originating real estate mortgage and commercial loans.

As of December 31, 2000, the dollar volume of Horizon's loan portfolio consists of 88 percent real estate loans, 10 percent commercial loans, and 2 percent consumer loans. Approximately 85 percent of the real estate portfolio consists of 1-4 family residential loans. There are no legal or financial constraints that impede the bank's CRA efforts.

Primary loan products are commercial and real estate loans. The following information represents loan originations in 1999 and 2000:

| LOAN TYPE | NUMBER OF LOANS | DOLLAR VOLUME OF LOANS |
|------------------|------------------------|-------------------------------|
| Commercial | 36 percent | 74 percent |
| Real estate | 48 percent | 23 percent |
| Consumer | 16 percent | 3 percent |

This is the bank's first CRA performance evaluation.

DESCRIPTION OF JOHNSON COUNTY, KANSAS

Horizon has one assessment area (AA) of Johnson County, Kansas, which meets regulatory requirements. The AA has 29 (39 percent) middle-income and 46 (61 percent) upper-income census tracts. There are no low- or moderate-income census tracts in Johnson County. The AA is located in the Kansas City, Missouri-Kansas MSA.

The updated HUD, MSA median family income for 2000 is \$57,700. In Johnson County, 8.04 percent of families are low-income, 12.57 percent are moderate-income, 21.99 percent are middle-income, and 57.39 percent are upper-income. The AA has a population of 355,054 people. The median housing value is \$96 thousand and the percentage of owner occupied housing is 65.67 percent. Approximately, 3 percent of families are below the poverty level.

Major employers in Johnson County primarily represent the service (34 percent) and retail trade (20 percent) industries. As of December 2000, the unemployment rate in the AA is 2.1 percent. Economic conditions are very good with strong, diversified growth. Competition is strong, as bank management identified thirteen competitor banks ranging in asset size of \$275 million to over \$1 billion. Many of the institutions are branches of large banks and savings institutions.

During the evaluation, we made one community contact and reviewed reports from three previous contacts made in the AA by various regulators within the last twelve months. We talked with a representative from a business organization in the city of Leawood, Kansas. According to community contacts, primary credit needs are for small business and home mortgage loans. Contacts stated financial institutions are meeting the community credit needs in Johnson County and community development opportunities are limited.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Horizon’s lending to borrowers of different income levels and businesses of different sizes is reasonable.

Primary products are real estate and commercial loans. In the real estate category, we focused on home purchase loans since they represent a majority of the dollar amount of real estate loans originated and outstanding.

We reviewed twenty home purchase loans originated in 1999 and 2000. The following table summarizes the bank’s performance compared to the percentage of families in each AA.

| Income level | Number of loans | Dollar amount of loans | Percentage of families |
|---------------------|------------------------|-------------------------------|-------------------------------|
| Low-income | 5 % | 1% | 8% |
| Moderate-income | 0 % | 0% | 13% |
| Middle-income | 25% | 13% | 22% |
| Moderate-income | 70% | 86% | 57% |

Based on the above information, lending to low- and moderate-income borrowers is significantly below demographics. The reasons for this performance are:

- Horizon is a new charter and has not had sufficient time to fully penetrate the market. The bank opened in March 1999, but only recently moved in to its permanent bank building in February 2000.
- The bank’s asset size is small compared with a majority of other banks in the AA. Horizon does not have any branch locations. A majority of lenders serving the same assessment area are much larger in asset size. All of the financial institutions identified by management as competitors have assets over \$100 million and most have over \$1 billion in assets.
- Traditional home loan applications received by the bank are usually referred to the bank’s mortgage company. The mortgage company has existed for over ten years and was a separate bank subsidiary until November 2000, when the mortgage company became a department of the bank.

Considering the above information, we evaluated home purchase loans originated and purchased by the mortgage company as reported under the HMDA. Based on a sample of 19 loan files, information on the HMDA report is considered accurate. These loans are not given credit for CRA elsewhere.

The following table summarizes performance by the bank and the mortgage company.

| Income level | Number of loans | Dollar amount of loans | Percentage of families |
|---------------------|------------------------|-------------------------------|-------------------------------|
| Low-income | 5 % | 3% | 8% |
| Moderate-income | 15 % | 13% | 13% |
| Middle-income | 36% | 31% | 22% |
| Moderate-income | 44% | 53% | 57% |

Based on the above revised information, which gives consideration to the bank’s mortgage loan activity in Johnson County, the distribution of home purchase real estate loans among various income levels is comparable to demographics.

We reviewed twenty commercial loans originated and purchased in 1999 and 2000. The following table summarizes the bank’s performance compared to the percentage of businesses in the AA.

| Revenues | Number of loans | Percentage of AA businesses |
|-----------------------|------------------------|------------------------------------|
| < \$1,000,000 | 70% | 85% |
| > \$1,000,000 | 30% | 11% |
| Revenues not reported | 0% | 4% |

Lending to businesses of different sizes is reasonable. A majority of the bank’s commercial loans are to businesses with revenues of less than \$1 million. Approximately 55 percent of the commercial loans sampled were to businesses with revenues under \$500 thousand. While the percentage of loans to small businesses is below demographics, performance is reasonable considering the bank is a newly chartered small bank. Also, information from community contacts indicated credit needs are being met in Johnson County.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is excellent. The quarterly average loan-to-deposit (LTD) ratio since the bank opened is 136 percent. The quarterly average LTD ratio of peer banks during the same time period is 76 percent. The peer information is taken from the Uniform Bank Performance Report (UBPR) since the bank did not identify any similarly situated banks in its AA. Competitor banks consist of financial institutions with total assets over \$100 million, a majority of which are branches of much larger institutions with total assets over \$1 billion. The UBPR peer is more consistent with similarly situated banks.

Lending in the Assessment Area

Lending in the assessment area is reasonable. A majority of Horizon's loan originations, both by number and dollar amount, are in its AA. We sampled 20 real estate and commercial loans each from 1999 and 2000. The following table represents our findings.

| | In the AA | | Out of the AA | |
|-------------------|------------------|------------|----------------------|------------|
| | # | \$ | # | \$ |
| Real Estate Loans | 50% | 36% | 50% | 64% |
| Commercial Loans | 60% | 68% | 40% | 32% |
| Totals | 55% | 61% | 45% | 39% |

Geographic Distribution

An analysis of geographic distribution was not performed. This analysis is not meaningful since the bank's AA does not have any low- or moderate-income census tracts.

Response to Complaints

Horizon has not received any complaints about its CRA performance.

Record of Compliance with Antidiscrimination Laws

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