



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

FEBRUARY 22, 2000

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NATIONAL CITY BANK OF KENTUCKY  
CHARTER NUMBER: 109

101 South 5<sup>th</sup> Street  
Louisville, KY 40202

OFFICE OF THE COMPTROLLER OF THE CURRENCY  
LARGE BANK DIVISION  
250 "E" STREET, S.W.  
WASHINGTON, D.C. 20219

**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.

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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 CRA performance of **National City Bank of Kentucky (NCB-KY)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 22, 2000**. 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 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. Pro-rated Tier 1 Capital is obtained by distributing portions of Tier 1 capital among the bank's assessment areas. This distribution is based on the level of deposits in each area.

**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 **National City Bank of Kentucky (NCB-KY)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	National City Bank of Kentucky (NCB-KY) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	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 activity is excellent. Geographic distribution of loans is adequate. Borrower distribution of loans is adequate. Community development lending activity is good.
- The bank’s volume of qualified investments is good. The investments show a very high level of responsiveness to identified needs for affordable housing and revitalization. Several of the bank’s qualified investments are considered innovative and/or complex.
- The distribution of branch offices is considered good, as delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The provision of community development services is excellent and considered highly responsive to the needs of the community.

## Description of Institution

National City Bank of Kentucky (NCB-KY), headquartered in Louisville, Kentucky, is a wholly owned subsidiary of National City Corporation (NCC), which is headquartered in Cleveland, Ohio. As of September 30, 1999, NCC had total assets of \$85 billion, making it the twelfth largest bank holding company in the United States. NCC provides a full range of consumer and commercial financial products and services and operates banking offices in 6 states: Illinois, Indiana, Kentucky, Michigan, Ohio, and Pennsylvania. The Corporation operates more than 1,200 branch offices and 1,800 ATM's. NCC is one of the five top originators of federally guaranteed student loans in the country, and is the fifth largest originator of small business loans.

As of September 30, 1999, NCB-KY reported total assets of \$10.1 billion, total loans of \$6.6 billion, and a loan-to-deposit ratio of 133%. Tier 1 capital totals \$603 million. NCB-KY operates 108 branch offices and 125 deposit-taking automatic teller machines (ATM's) throughout the state of Kentucky. As of September 30, 1999, NCB-KY's loan portfolio consisted of 32% real estate loans, 29% consumer loans, 29% other loans, 10% commercial loans, and < 1% agricultural loans.

Five affiliated, non-banking entities and five banking entities contributed favorably to the CRA performance of the bank. Refer to Appendix A for identification of the entities and the activities they contributed.

Throughout the review period, there were no significant financial barriers limiting NCB-KY's ability to meet identified credit needs within its assessment areas.

There are several competitive pressures that impede NCB-KY's ability to meet identified credit needs. Within the Louisville MSA, the bank operates in a number of low-income communities that are dominated by national subprime mortgage lenders. Some of these subprime lenders routinely accept high levels of risk by extending loans to borrowers with severe historical and/or current credit problems. Many national banks, including NCB-KY implement controls that limit risk within their loan portfolios. This is consistent with safe and sound banking practices, but restricts the bank's ability to favorably compete with aggressive subprime lenders.

In addition, NCB-KY operates in a limited number of low-income communities that are dominated by one or more financial institutions that have opted to price home mortgage loans below market rates. NCB-KY's current financial structure does not



allow the bank to compete at below market rates.

At present, NCB-KY's market area consists of four Metropolitan Statistical Areas (MSAs) and five assessment areas in non-metropolitan parts of the state. All of the assessment areas are within the state of Kentucky. The bank's assessment areas include:

1. The entire Louisville MSA
2. The entire Lexington MSA with the exception of Bourbon county,
3. The entire Owensboro MSA,
4. The entire Huntington MSA with the exception of Carter county,
5. Warren county,
6. Nelson county,
7. Franklin county,
8. Boyle county,
9. Bell, Clay, Harlan, Knox, Laurel, and Whitley counties, all located in the Southeastern portion of the state.

Since the previous CRA examination in December 1996, no counties were eliminated from the bank's lending area. Bullitt county located in the Louisville MSA was added. NCB-KY has significant lending volume in Bullitt County, but no branch office.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The last evaluation of the bank is dated December 31, 1996. The CRA performance at that time was rated Outstanding. This evaluation assesses the bank's performance from January 1, 1997 to September 30, 1999. The Lending Test included a review of home purchase loans, home-improvement loans, refinanced loans, community development loans and small business/farm loans. HMDA and community development loan data was considered for the entire evaluation period. Small business/farm data was considered from January 1, 1999 through September 30, 1999. Small business/farm data for 1997 and 1998 was deemed unreliable, and was not included in this evaluation. See the Data Integrity section of this Performance Evaluation for further details.

It is important to note that although the CRA regulation allows banks to receive credit for loans or pools of loans purchased from other financial institutions, NCB-KY's lending efforts center on loans originated directly by the bank and its affiliates. The bank has negligible external purchased loan activity. NCC affiliates do, however, purchase and sell loans from each other to expedite their ability to sell packages of loans to the secondary market. As dictated by HMDA reporting requirements, NCB-KY and its affiliates report loans purchased from other NCC affiliates as 'purchased loans'. The purchased loans represent a material portion of the reported home mortgage loan data. For the review period, approximately 24% of Home Purchase and 36% of Home Refinance activity is represented by purchased loans. While the standard Performance Data tables in Appendix C include loans originated and purchased, we determined that NCB-KY's home mortgage performance is more accurately reflected only by originated loan activity. Therefore, our primary geographic distribution and borrower distribution analyses of the full-scope assessment area are based on adjusted loan data that excludes purchased loan activity. In general, NCB-KY performance is stronger using this approach, with the impact more prominent under the Borrower Distribution criteria.

The evaluation period for the Investment Test is January 1, 1997 through February 22, 2000. The evaluation period for the Service Test is January 1, 1997 through September 30, 1999. Community development investments, community development services, retail banking locations, and retail banking services were reviewed in connection with these tests.

### Data Integrity

The scope of this examination included a review of the accuracy of the bank data analyzed to develop our conclusions and ratings. The data tested for accuracy

includes data made available to the public in accordance with the Home Mortgage Disclosure Act (HMDA) and the CRA regulation. Public data includes home mortgage lending and small loans to businesses/farms. We also reviewed the accuracy of non-public data for qualified investments, community development services, and community development loans. The tests were performed at the corporate level and included all National City affiliated banks, and subsidiaries and non-bank affiliates contributing to the bank's CRA performance. As a result, the percentages quoted here would be for the entire corporation, and may vary for a particular National City subsidiary bank.

The bank's HMDA data was found to be accurate. No material errors were identified with the home purchase, home improvement, or refinance loans reported by the bank.

Several material errors were found in the bank's small loans to businesses/farms data submissions for the review period, including:

- Renewals were incorrectly reported as loans. Renewals represented 20% of the loans in our sample.
- Revenue data was in error in 5% of our sample.
- Loans secured by residential real estate were incorrectly reported as loans. These types of loans represented 5% of our sample.

Bank management was able to correct data for the period covering January 1, 1999 through September 30, 1999, but was unable to correct 1997 and 1998 data. As a result, our small business/small farm analysis will be limited to the bank's performance during 1999.

Material errors were noted with the non-public information provided to examiners regarding community development loans. A number of loans to small businesses were incorrectly included in the community development loan totals. Management was unable to identify or remove these loans from the data provided to examiners because of time and financial constraints. Loans to small businesses accounted for 15% of our sample. Many of these loans have community development as their primary purpose. As part of our analysis, we excluded these small business loans from our Community Development loan totals.

### **Selection of Areas for Full-Scope Review**

The bank's overall rating is based primarily on the MSAs that received full-scope reviews. After analyzing available data, we determined that some full scope areas would be more heavily weighted than others would. This determination was based

on a review of the volume and concentration of branches, HMDA loans, low- and moderate-income tracts and families, population, owner occupied housing units, and small businesses and small farms. The volume and concentration of bank deposits was also considered during our analysis. We used data from the Federal Deposit Insurance Corporation, which included both retail and commercial deposits. In addition, we used retail deposit data that was obtained from NCB-KY management reports.

### **Ratings**

As a result of our analysis, we determined that the Louisville MSA would be more heavily weighted than the Lexington MSA.

### **Other**

We contacted two community groups in the Louisville area and two groups in the Lexington area in order to ascertain community credit needs. In addition, we reviewed community contact data compiled by other OCC examiners during the last 24 months.

Specific needs within the full scope assessment areas are addressed in Appendix B of this report.

## **Fair Lending Review**

As part of our fair lending analysis we performed a comparative file review of 226 home purchase applications that were received by National City Mortgage Company (NCMC) during 1998. The Mortgage Company receives applications from all six states where NCC has branch offices, including Kentucky. The approval/denial process utilized is identical for all applications. Applicant race was used as the prohibitive basis. We compared 53 denied applications made by Blacks to 173 marginally approved applications made by Whites.

Our analysis did not identify any violations of the anti-discrimination laws and regulations. NCMC continues to implement an ongoing fair lending monitoring system. The system consists of adequate policies and procedures, periodic training, and internal assessments.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the Lending Test is rated Low Satisfactory. Based on full-scope reviews, the bank's performance is adequate in both the Louisville and Lexington MSAs.

#### Lending Activity

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

During the review period, home mortgage loans accounted for approximately 92% of NCB-KY's loans in the Louisville MSA, and 86% in the Lexington MSA. Small loans to businesses comprise the substantial majority of the remaining loans. Based on this data, throughout our analysis, we gave the greatest consideration to home mortgage loans. Small farm lending is not a major component of the bank's activities. It represents less than 1% of total reported loans in the Louisville MSA and less than 3% in the Lexington MSA.

Of the total home mortgage loans made by the bank in the Louisville MSA, approximately 32% were Home Purchase, 42% Home Refinance, and 26% Home Improvement. Of the total home mortgage loans made in the Lexington MSA, 44% were Home Purchase, 46% Home Refinance, and 10% Home Improvement. Based on these percentages, and identified credit needs for affordable housing, particularly homeownership, we gave the greatest consideration to home purchase loans, followed by refinance, and home improvement loans.

NCB-KY's lending activity in both the Louisville and Lexington MSAs is excellent. During 1998, NCB-KY was ranked first in deposit market share in Louisville (26.33%) and third in Lexington (8.84%). In both markets, NCB-KY was among the two largest lenders in all mortgage categories. Specifically, in Home Purchase lending NCB-KY ranked first in both Louisville and Lexington with market shares of 8.15% and 8.42%, respectively. In Home Refinance lending, the bank ranked second in Louisville with an 8.31% market share and first in Lexington with a 10.44% market share. Finally, in Home Improvement lending, NCB-KY ranked first in both Louisville and Lexington with market shares of 23.21% and 12.11%, respectively.

Note that throughout our analysis, NCB-KY's percentage distribution of lending

compared to demographics was given more weight than the market share information. The reason for this emphasis is that the distribution of lending information covers the bank's activity in 1997, 1998 and the first three quarters of 1999, compared to market share information, which only reflects 1998 activity.

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

The overall geographic distribution of NCB-KY's home mortgage and small loans to businesses and farms is adequate. This conclusion is based on adequate performance in both the Louisville and Lexington MSAs.

The distribution of Home Purchase loans is adequate, Home Refinance distribution is poor, and Home Improvement distribution is excellent. The distribution of Small Loans to Businesses and Small Loans to Farms is good. Loan penetration throughout both MSAs was excellent, and a majority of loans were made within the bank's assessment areas (AAs).

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

Refer to Tables 2, 3, and 4 in Appendix C for standardized data regarding the geographic distribution of the bank's home mortgage loan originations and purchases. As previously explained in the Scope of Evaluation, we used adjusted loan data to conduct our geographic distribution analysis. This data focuses only on loan originations. The following narrative contains the specific facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.

Note that more weight is placed on performance in moderate-income tracts, since those areas comprise a significantly larger market than low-income areas.

In the Louisville and Lexington MSAs, the distribution of Home Purchase loans is adequate. The bank's performance in low- and moderate-income (LMI) census tracts is poor relative to demographics in both MSAs. However, excellent market share in Louisville and adequate market share in Lexington enhanced overall performance. In addition, we gave consideration to bank management's analysis of the effect of competitor products. The analysis showed that during the review period, at least one of NCB-KY's competitors significantly increased its home purchase market share within LMI census tracts by offering an affordable housing product with extremely flexible lending terms. NCB-KY management stated that because of financial constraints and safety and soundness concerns, NCB-KY was unable to match the terms offered by its competitor.

In the Louisville MSA, the percentage of NCB-KY's Home Purchase loans made in low- (2%) and moderate-income geographies (9.82%) is somewhat less than the

percentage of owner-occupied housing units in those geographies (3.34% and 15.70%), respectively. NCB-KY's market share in low-income geographies (10%) exceeds its overall Home Purchase market share of 8.72%. The bank's market share is near its overall Home Purchase market share. In the Lexington MSA, the percentage of NCB-KY's Home Purchase loans made in low-income geographies (1.09%) is less than the percentage of owner-occupied housing units in those geographies (2.81%). The percentage of loans made in moderate-income geographies (11.47%) is somewhat less than the percentage of owner-occupied housing units in those geographies (18.05%). NCB-KY's market share in low-income geographies (6.42%) is somewhat less than its overall Home Purchase market share (8.29%). The bank's market share in moderate-income geographies (6.95%) is near the bank's overall Home Purchase market share.

The bank's distribution of Home Refinance loans is poor. Performance is poor in the Louisville MSA and is adequate in the Lexington MSA. Although the distribution of loans relative to demographics is poor in both MSAs, good market share distribution in low-income tracts, and adequate distribution in moderate-income tracts enhanced the bank's performance in the Lexington area.

In the Louisville MSA, the percentage of NCB-KY's Home Refinance loans made during the evaluation period in low- (1.25%) and moderate- income (8.22%) geographies is less than the percentage of owner-occupied housing units that are within those geographies. In addition, NCB-KY's market share in low-income geographies (2.98%) is less than the overall Home Refinance market share of 6.54%. The bank's market share in moderate-income geographies (3.92%) is somewhat less than the overall Home Refinance market share. In the Lexington MSA, the percentage of NCB-KY's Home Refinance loans made during the evaluation period in low-income geographies (1.63%) is less than the percentage of owner-occupied housing units that are within those geographies. Home Refinance loans made in moderate-income geographies (11.65%) is somewhat less than the percentage of owner-occupied housing units that are within those geographies. However, NCB-KY's market share in low-income geographies (7.37%) is near its overall Home Refinance market share of 8.64%, and in moderate-income geographies (6.87%) is somewhat less than its overall Home Refinance market share of 8.64%.

The bank's distribution of Home Improvement loans is excellent. Performance is excellent in the Louisville MSA, and is adequate in the Lexington MSA. In Louisville, loan distribution relative to demographics is excellent in both low- and moderate-income geographies. In Lexington, loan distribution was good in moderate-income tracts, but this was offset by overall adequate performance in low-income tracts.

In the Louisville MSA, the percentage of NCB-KY's Home Improvement loans made



during the evaluation period in low- (4.31%) and moderate- income (18.38%) geographies exceeds the percentage of owner-occupied housing units that are within those geographies. In addition, NCB-KY's market share in both low- (28.42%) and moderate-income geographies (23.65%) exceeds its overall Home Improvement market share of 23.47%. In the Lexington MSA, the percentage of NCB-KY's Home Improvement loans made during the evaluation period in low-income geographies (1.66%) is less than the percentage of owner-occupied housing units that are in those geographies. The percentage of loans made in moderate-income geographies (14.6%) is near the percentage of owner-occupied housing units that are in those geographies. NCB-KY's market share in low- (7.41%) and moderate-income geographies (8.31%) is somewhat lower than its overall Home Improvement market share of 12.4%.

### ***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 geographic distribution of small loans to businesses is good. Performance is good in Louisville and in Lexington. In Louisville, the percentage of loans NCB-KY made in low- and moderate-income geographies is good because it is near the percentage of businesses that are within those geographies. In the Lexington MSA, the percentage of loans NCB-KY made in low-income geographies is adequate given that it is somewhat less than the percentage of businesses that are in those geographies. However, the percentage of loans the bank made in moderate-income geographies exceeds the percentage of businesses in those geographies. Given that the majority of businesses are located in moderate-income tracts, versus low-income census tracts, more weight was placed on moderate-income performance.

### ***Small Loans to Farms***

Table 6 in Appendix C details the facts and data relative to the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of small loans to farms is good and is based exclusively on performance in the Lexington MSA. The volume of farm loans in Louisville was negligible; consequently, a meaningful analysis was not performed.

Performance is poor in low-income census tracts and is excellent in moderate-income census tracts. The percentage of loans made in low- income geographies is less than the percentage of farms within those geographies. The percentage of loans made in moderate-income geographies exceeds the percentage of farms that

are within those geographies. However, as part of our analysis, we considered the fact that a substantially larger percentage of farms are located in moderate-income areas versus low-income areas. As a result, greater weight was given to the bank's performance in moderate-income geographies.

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

Reports detailing NCB-KY's home mortgage lending were reviewed to identify gaps in geographic distribution. During the review period, NCB-KY had excellent penetration throughout the Louisville and Lexington MSAs. Loans were originated in all but one of the populated census tracts in the Louisville MSA, and in all of the populated census tracts in the Lexington MSA; this computes to a penetration rate of 99.9% and 100%, respectively. With only nine months of small loans to businesses and farm data available, our review of lending patterns for these activities was limited. No conspicuous gaps in lending patterns were detected in any product lines.

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

The inside/outside ratio was calculated on a statewide basis and does not include any affiliate lending.

NCB-KY has done an adequate job of serving borrowers within its defined assessment areas. During the review period, 71% of the bank's home mortgage loans, and 86% of small loans to businesses and farms were made within NCB-KY's AAs.

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

The overall distribution of NCB-KY's home mortgage and small loans to businesses is adequate based on the income levels of the borrowers. This conclusion is based on adequate performance in the Louisville MSA and good performance in the Lexington MSA.

The borrower distribution of Home Purchase, Refinance, small business, and small farm loans is adequate. Home Improvement distribution is excellent.

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

Refer to Tables 7, 8, and 9 in Appendix C for standardized data regarding the geographic distribution of the bank's home mortgage loan originations and purchases. As previously explained in the Scope of Evaluation, we used adjusted loan data to conduct our borrower distribution analysis. This data primarily focuses on loan originations. The following narrative contains the specific facts and data we used to evaluate the borrower distribution of the bank's home mortgage loan

originations.

Note that the expectation for the percentage of lending to low-income borrowers is not as high as for moderate-income borrowers because of the more limited ability of low-income borrowers to afford home ownership.

NCB-KY's distribution of Home Purchase loans based on the income of the borrower is adequate. Performance in the Louisville MSA is adequate, and is good in the Lexington MSA. In the Louisville MSA, performance among low-income borrowers is poor, and is excellent among moderate-income borrowers. NCB-KY bank management performed a review of real estate sales in low-income areas, which showed limited home sales during 1999. The lack of home sales adversely impacted the ability of lenders in the area to extend home purchase loans, or to approximate low-income family demographics in the area. This was given some consideration during our analysis, along with good market share distribution. However, we also considered the fact that during 1998, while the aggregate market extended 8.82% of its Home Purchase loans to low-income borrowers, NCB-KY lagged the market and extended only 6.56% of its loans to these borrowers during the same time period.

In the Lexington MSA, performance among low-income borrowers is adequate, and is excellent among moderate-income borrowers. Although NCB-KY's distribution of loans to low-income borrowers is less than low-income family demographics, the bank's performance was considered adequate after we considered the effect of good market share distribution and several compensating factors. Contacts noted that the ability of local bank's to make home purchase loans in low-income tracts has been impeded by land title disputes, very high land costs, minimum lot size requirements, and competition from private investors. See Appendix B for details. A higher rating was not justified given that the bank lagged the aggregate market during 1998. While the aggregate market extended 1.19% of its loans to low-income borrowers, NCB-KY made only .91% of its loans to low-income borrowers during 1998.

In the Louisville MSA, NCB-KY's Home Purchase loans made to low-income borrowers (6.55%) is less than the percentage of families that are low-income (20.43%). The percentage of Home Purchase loans made to moderate-income borrowers (19.78%) exceeds the percentage of families that are moderate-income (17.23%). NCB-KY's market share of Home Purchase loans to low-income borrowers (6.49%) is somewhat less than the overall Home Purchase market share of 8.72%. The bank's market share of loans to moderate-income borrowers (8.76%) exceeds the overall Home Purchase market share. In the Lexington MSA, the percentage of NCB-KY's Home Purchase loans made to low-income borrowers (6.3%) is less than the percentage of families that are low-income (21.67%). However, when the compensating factors described earlier are considered,

performance is adequate. The percentage of Home Purchase loans made to moderate-income borrowers (16.4%) exceeds the percentage of families that are moderate-income (16.23%). NCB-KY's market share of Home Purchase loans to low-income borrowers (4.73%) is somewhat less than the overall Home Purchase market share of 8.29%. The bank's market share of loans to moderate-income borrowers (7.27%) is near the overall Home Purchase market share.

NCB-KY's distribution of Home Refinance loans based on the income of the borrower is adequate. Performance in both Louisville and Lexington is adequate. In the Louisville MSA, performance among low-income borrowers is poor, and is good among moderate-income borrowers. In the Lexington MSA, NCB-KY's performance among low-income borrowers is poor, and is adequate among moderate-income borrowers.

In the Louisville MSA, the percentage of NCB-KY's Home Refinance Purchase loans made to low-income borrowers (5.78%) is less than the percentage of families that are low-income. The percentage of Home Refinance loans made to moderate-income borrowers (14%) is near the percentage of families that are moderate-income. NCB-KY's market share of Home Refinance loans to low-income borrowers (3.79%) is less than the overall Home Refinance market share of 6.54%. The bank's market share of loans to moderate-income borrowers (5.26%) is near the overall Home Refinance market share of (6.54%). In the Lexington MSA, the percentage of NCB-KY's Home Refinance loans made to low-income borrowers (6.35%) is less than percentage of families that are low-income. The percentage of Home Refinance loans made to moderate-income borrowers (12.52%) is somewhat less than the percentage of families that are moderate-income. NCB-KY's market share of loans to low- (6.63%) and moderate-income borrowers (6.47%) is somewhat less than the overall Home Refinance market share of 8.64%.

NCB-KY's distribution of Home Improvement loans based on the income of the borrower is excellent. Performance is excellent in the Louisville MSA, and is good in the Lexington MSA. In Louisville, performance among LMI borrowers is excellent. In Lexington, performance among low-income borrowers is adequate relative to demographics. Excellent market share distribution, and overall excellent performance among moderate-income borrowers enhanced performance. In the Louisville MSA, the percentage of NCB-KY's Home Improvement loans made to low-income borrowers (16.28%) is near the percentage of low-income families in the area. However, when housing affordability is factored in, the performance is excellent. The bank's percentage of loans to moderate-income borrowers (21.73%) exceeds the percentage of families that are moderate-income. NCB-KY's market shares of Home Improvement loans to low- (25.83%) and moderate-income borrowers (23.58%) exceed the overall Home Improvement market share of 23.47%. In the Lexington MSA, the percentage of NCB-KY's Home Improvement loans made to low- income borrowers (10.17%) is less than the percentage of low-

income families in the area. However, when housing affordability is factored in, the performance is adequate. The percentage of loans made to moderate-income borrowers (21.07%) exceeds the percentage of families that are moderate-income.

NCB-KY's market share of Home Improvement loans to low-income borrowers (8.61%) is somewhat less than the overall Home Improvement market share of 12.4%. The bank's market share of loans to moderate-income borrowers (14.48%) exceeds the overall Home Improvement 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 is adequate in both the Louisville and Lexington MSAs. Relative to business demographics, performance is poor in Louisville and adequate in Lexington. However, Louisville's performance was enhanced by the significant percentage of its loans made in small dollar amounts.

In both the Louisville MSA and Lexington MSA, the percentage of small loans to businesses with revenues of \$1 million or less is less than the percentage of businesses in that revenue category. In addition, within the Louisville MSA 84% of small loans to businesses were for amounts of \$100,000 or less. In the Lexington MSA, 77% of such loans were for amounts of \$100,000 or less. This reflected the bank's willingness to extend credit in smaller amounts.

### ***Small Loans to Farms***

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

The borrower distribution of small loans to farms is adequate, and is based solely on performance in the Lexington MSA. The percentage of small loans to farms with revenues of \$1 million or less is less than the percentage of farms in that revenue category, and is considered poor. However, this performance is strengthened by the fact that approximately 89% of small loans to farms were for amounts of \$100,000 or less. This reflected the bank's willingness to extend credit in smaller amounts.

### **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.

NCB-KY has a good level of community development (CD) lending that is attributed to volume of activity, responsiveness to the needs of the community, and innovation. CD lending had a positive impact on the Lending Test conclusion for the Louisville and Lexington MSAs.

NCB-KY originated 33 CD loans totaling \$10.7 million in the Louisville MSA (3.75% of pro-rated Tier I Capital). In the Lexington MSA, the bank originated 20 CD loans totaling \$2.5 million (2.48% of pro-rated Tier I Capital). The number and dollar volume of CD lending activity is good in Louisville and Lexington given the bank's size, capacity, and the high level of competition in Lexington.

The bank's CD loans in both the Louisville and Lexington MSAs have been very responsive to the needs of the assessment areas. The loans primarily address the most difficult to meet credit needs of the communities. Specifically, they address affordable housing needs of very low-income persons. In addition, nearly 15% of NCB-KY's CD loans promote economic development projects that positively impact the local community by creating jobs for low- or moderate-income people. A limited number of the bank's CD loans are innovative.

The following example highlights the bank's CD lending in the Louisville MSA.

**Young Men's Christian Association of Greater Louisville** - A \$245 thousand affordable housing loan. Proceeds were used to construct two transitional living/group homes for extremely low-income young adults who are entering the work force after completing a structured self-sufficiency program. The program is considered innovative because it is one of the few programs designed to address the more difficult to meet affordable housing needs of low-income persons with no viable income source.

The following example highlights the bank's CD lending in the Lexington MSA.

**First African Kanisa Apartments** - A \$600 thousand affordable housing loan. Proceeds were used to renovate the former Fayette County School of the Performing Arts into 59 one-bedroom apartments for low-income elderly persons.

### **Product Innovation and Flexibility**

Product flexibility had a positive impact on the Lending Test conclusions for both the Louisville and the Lexington MSAs.

NCB-KY provides a large array of lending products, and many of them are flexible in their structure. These products are designed to address affordable housing needs of low- and moderate- income persons or geographies. Affordable housing was

identified as a primary credit need by community contacts.

Some examples of flexible products offered by NCB-KY are highlighted below. The bank reports these products as part of its HMDA data. HMDA does not differentiate flexible products from more traditional loan products. As a result, the number of loans originated under each program is not detailed here.

**Home at Last** - This flexible mortgage product is available to borrowers purchasing homes in low- or moderate-income areas. It features a low downpayment requirement, no mortgage insurance, and flexible terms.

**NCHAMP Loans** - This flexible mortgage product is offered to homebuyers who are purchasing properties located in National City Community Development Corporation (NCCDC) sponsored developments. The loan features a low downpayment requirement and reduced interest rates. NCHAMP loans primarily target low- and moderate-income geographies.

**Residential Mortgage Programs** - NCB-KY offers a number of specialized products designed to facilitate home ownership for low- or moderate- income persons or within low- or moderate-income communities. These programs are offered in association with a variety of governmental agencies and community groups including Fannie Mae, Kentucky Mountain Housing, United States Department of Agriculture, Veterans Administration, and The Federal Housing Administration. The programs offer loans with low downpayment requirements and flexible terms.

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

Based on limited-scope reviews, the bank's performance under the Lending Test in limited-scope areas is not inconsistent with the bank's overall Low Satisfactory performance under the Lending Test. Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated High Satisfactory. Based on full-scope reviews, the bank's performance in both the Louisville and Lexington MSAs is good.

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

The assessment of NCB-KY's investment performance is based on the investments' volume, responsiveness to the needs of the local community, and complexity and innovation.

The volume of investments is very high in the Louisville MSA where community development (CD) opportunities are moderate, and the volume is high in the Lexington MSA where CD opportunities are limited. (Refer to Market Profiles in Appendix B). However, the overall volume of investments is considered good rather than excellent because most of the investments (70% in Louisville and 80% in Lexington) were made during prior periods. An assessment lower than good was not warranted because of the strong impact the prior period investments continue to exert on the local communities. Several prior period dollars remain with community groups who use them to re-fund loan pools and as leverage in attracting additional private and public investors.

The investments are highly responsive to the needs of the local communities. In Louisville, 98% of the investments addressed identified needs for affordable housing, job creation, or economic revitalization. The remaining 2% addressed social service needs of low-income families. In Lexington, 97% of the investments addressed identified needs for housing rehabilitation, or economic revitalization. The remaining 3% addressed social service needs of low-income families. NCB-KY routinely creates opportunities for investments within its local community. This is accomplished through the development of long term equity partnerships with community groups and local developers. Several of the qualified investments that have resulted from these partnerships are considered complex and/or innovative.

The following examples highlight the bank's performance in the Louisville MSA. The investments detail projects in which NCCDC, a nonbank affiliate created an equity partnership with a local non-profit group, municipality, or developer.

**Covenant Housing Fund LP** - A \$411 thousand affordable housing investment. Funds were used to construct eight single-family homes. The homes target low- and moderate-income families and are located in a low-income census tract. The



project is part of the City of Louisville's revitalization program. Both the City of Louisville and the Louisville Economic Opportunity Corporation participate in the program.

**Heritage Creek Subdivision** - A \$249 thousand affordable housing investment. A total of 350 single family homes are being built to accommodate the housing needs of low- and moderate-income families who have been displaced due to the expansion of the Louisville International Airport. NCCDC funds were used to construct four model homes. This investment is considered innovative because NCB-KY is the only lender in the area that actively finances model home construction for affordable housing projects.

**Community Development (CD) Bank** - NCB-KY provided a leadership role and a \$250 thousand capital injection to facilitate the formation of this CD Bank. In addition, the bank invested \$100 thousand in a three-year certificate of deposit with this bank. The City of Louisville requested NCB-KY's assistance in assessing the feasibility of creating this bank, which focuses on redeveloping, investing and lending within low- and moderate-income areas. NCB-KY assigned an individual to work full time on the project. In addition, NCB-KY's chairman of the Board served as the CD Bank chairman.

**Park DuValle Revitalization** - A \$840 thousand revitalization investment. Funds are being used to rehabilitate eight model homes in a low-income tract that a local CDC has targeted for revitalization. NCB-KY was the only investor to participate in the model home construction phase of this project, which targets low-, moderate-, and middle-income borrowers. This revitalization plan, including NCB-KY's model home initiative is being used as a template for public housing projects in other communities.

**Parkland Housing Project** - A \$212 thousand affordable housing investment. Funds were used to construct three homes. NCCDC was the only financial entity to participate as an equity partner in this project that is located in a low-income community plagued by high crime and high drug trafficking. The City of Louisville actively supports the project with housing subsidies. The homes target low- and moderate-income borrowers.

**Russell Revitalization** - A \$125 thousand revitalization investment. Russell Revitalization is located in a low-income census tract slated for redevelopment by the local city government. The city plans to revitalize the neighborhood by converting it into a mixed income area. NCCDC's funds are being used to construct four single-family homes that target moderate- and middle-income families. The project also includes an agreement with suppliers and sub contractors to provide a variety of discounts.

**Grants/Donations** - NCB-KY made 60 grants totaling \$555 thousand to a number of community development and housing coalitions. In addition, several donations were made to local community groups that strive to meet the social service needs of low- and moderate-income families.

The following examples highlight the bank's performance in the Lexington MSA. The investments detail projects in which NCCDC, a nonbank affiliate created an equity partnership with a local non-profit group, municipality, or developer.

**Burchwood of Berea Lease Purchase** - In order to construct affordable housing for very low-income families, NCCDC invested \$318 thousand in this project. Funds are being used to construct 20 single family brick homes. The families initially rent the homes, and at the end of 15 years have the option of purchasing. The project is located in a low-income area.

**Central Appalachian People's Federal Credit Union (CAPFCU)** - NCCDC provided a \$100 thousand capital injection to this credit union. CAPFCU makes loans to families that are traditionally considered "non-bankable". Half of all CAPFCU members earn less than \$12 thousand per year; the average loan size is \$2 thousand. The credit union is certified as a Community Development Financial Institution by the U.S. Department of Treasury.

**Housing Management Services** - In an effort to create affordable housing opportunities within a low-income area in the City of Georgetown, NCCDC invested \$58 thousand in this project. Funds were used to construct the first of eight single-family homes. No other banks were willing to partner in this project. Lots were donated by the City of Georgetown, and NCCDC co-operated in a plan that provides a \$20 thousand forgivable deferred loan. The project targets extremely low-income borrowers. It is important to note that 60% of Scott county residents who live below poverty reside in the City of Georgetown. As a result, creating home ownership opportunities in the area has been especially challenging.

**Grants/Donations** - During the review period, NCB-KY made 39 grants totaling \$97 thousand to a number of housing coalitions that target very low-income families and communities. In addition, several donations were made to local community groups that strive to meet the social service needs of low- and moderate-income families.

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

Based on limited-scope reviews, the bank's performance under the Investment Test in all limited scope areas is weaker than the bank's overall High Satisfactory performance under the Investment Test. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

The weaker performance was primarily the result of low investment volume relative to the bank's capacity. This was considered in the overall conclusions, but did not negatively impact the rating.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated High Satisfactory. Based on full scope reviews, the bank's performance in both the Louisville and Lexington MSAs is good.

### **Retail Banking Services**

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

The distribution of NCB-KY's branch offices is considered good. The bank's delivery systems are accessible to geographies and individuals of different income levels. In both the Louisville and Lexington MSAs, the percentage of NCB-KY's offices in low-income geographies exceeds the population demographics in these areas, and the percentage of offices in moderate-income areas is less than the population demographics in such geographies. However, in both MSAs there are several branches in close proximity to moderate-income areas. When the affect of these branches is considered, the bank's percentage of branches in moderate-income areas is somewhat less than the population demographics.

Branch openings and closings did not adversely affect the accessibility of delivery systems in either full scope AA during this examination period. Three branches were closed in the Louisville area and two in the Lexington area. Two of the Louisville closings occurred in moderate-income areas, and one of the Lexington closings occurred in a moderate-income area. The affect of the closures was minimized by the continued operations of other NCB-KY branches in close proximity to the closed facilities.

NCB-KY's hours and services offered throughout the full-scope assessment areas are good. Standard banking hours and services provided Monday through Friday are relatively comparable at all 75 locations regardless of the income level of the geography. All branches have extended evening hours on Friday. A limited number of branches in the Louisville area offer tailored banking hours. In the Lexington MSA, approximately 25% of the branch offices, including branches in low- and moderate-income areas offer tailored business hours. Tailored hours have also been implemented in facilities located in high traffic locations such as grocery-store branches. The Lexington MSA has eight in-store branches, and the Louisville MSA has five.

In both Louisville and Lexington, NCB-KY offers a Basic Checking account that is designed to meet the needs of low- and moderate-income customers for a \$3

monthly service charge with no minimum balance requirements. If the customer is over the age of 55, the bank offers a free First Senior Checking account with no minimum balance requirements. The bank also offers a Self-Serve Checking product that does not assess fees for ATM or electronic transactions.

NCB-KY's ATM network offers an adequate alternative delivery system for providing retail banking services in moderate-income geographies in both Louisville and Lexington. In the Louisville MSA, performance in low-income tracts is poor because the percentage of ATMs in those tracts (4.7%) is less than the population demographics. However, overall performance is strengthened by adequate performance in moderate-income tracts where the percentage of ATMs (15.6%) is somewhat less than population demographics. In the Lexington MSA, the percentage of ATMs in low-income tracts (4.4%) is adequate because it is only somewhat less than the population demographics. Overall performance is enhanced by good ATM distribution in moderate-income tracts where the percentage of ATMs (21.7%) is near population demographics.

NCB-KY also operates several Call Centers that serve as alternative delivery systems for loan products. Customers can access the centers and complete loan applications by phone. The centers offer extended evening and weekend hours. Internal bank data, which is tracked at the State level, shows that this has been an effective delivery system for providing retail services to low- and moderate-income customers. Of the total loans processed through Kentucky call centers, nearly 30% represent loan originations to low- or moderate-income customers. In addition, approximately 15% were extended within low- or moderate-income census tracts.

The bank also offers a 24-hour telephone banking service, which allows customers to obtain deposit and loan account information, make payments on NCB-KY loans, transfer funds, and pay other household bills. The bank could not provide specific information on the impact of telephone banking on low- and moderate-income individuals or geographies. As a result, this delivery system was not given significant weight during the review process.

### **Community Development Services**

NCB-KY's provides an excellent level of community development (CD) services. The bank's performance in the Louisville MSA is excellent, and is good in the Lexington MSA. Services in both areas are considered highly responsive to the needs of the local communities.

In both full scope areas, services target the primary needs of the local community. Specifically, in the Louisville MSA, CD services target affordable housing, economic development, and consumer financial education. In the Lexington MSA, services

target affordable housing and consumer financial education. The impact on the communities is high given that most of NCB-KY's services have helped to strengthen the ability of community groups, small businesses, and low- and moderate-income families to obtain loans, or to become investment project partners.

Numerous bank employees provide leadership for a wide array of local community groups that serve the needs of low- and moderate-income communities and families. These employees serve as committee members or on Boards of Directors for affordable housing agencies, economic development organizations, and social service groups. In the Louisville MSA some of these groups include: the Metropolitan Housing Commission, Neighborhood Housing Services, Housing Partnership, Downtown Development Corporation, New Directions, Rebound, Inc., and the Kentucky Small Business Development Corporation. In the Lexington MSA some of these groups include: the Urban League, the Community Action Council, and Habitat for Humanity, and the Mayor's Task Force.

The following discussion highlights NCB-KY CD service activities in the Louisville MSA during the evaluation period:

**Federal Home Loan Bank (FHLB)** - Through its Community Development Outreach Officer, the bank provides technical expertise to local community groups seeking Federal Home Loan Affordable Housing Program grants. During the review period, NCB-KY prepared four project requests for groups operating in both the Lexington and Louisville MSAs. All four requests were approved for either a direct subsidy or low-interest rate advance.

**Community Development Bank (CDB)** - NCB-KY provides operational assistance to this CD Bank that targets the needs of low- and moderate-income neighborhoods. In addition, the bank has provided leadership to the CDB by supplying a senior manager to serve as Chairman of the Board of Directors. NCB-KY has also partnered with the CDB to offer consumer and small business financial educational seminars.

Finally, NCB-KY is a participant in CDB's "Fresh Start Program". This program provides counseling for consumers who have been denied access to deposit services because of past abuses. Many of these consumers are low- or moderate-income persons. After completing the program, participants are eligible to open an account with a participating bank. NCB-KY was the first bank in the Louisville assessment area to offer the program. This program was created in response to an identified need for consumer financial education.

**Louisville Housing Authority** - NCB-KY partnered with this local housing authority and provided technical assistance during the conversion of a low-income public

housing complex into an economically integrated neighborhood. Specifically, bank personnel provided their expertise in the planning development of the model home village. This project is the first in the state and is considered quite innovative, as market priced housing will be mixed with subsidized units for low- and moderate-income families. Lending staff was also available to assist potential homeowners during the home purchase phase.

**Common Wealth IDA** - NCB-KY is one of the few banks in Jefferson County to offer Individual Development Accounts. These savings accounts are available to low- and moderate-income families who receive services from the Center for Women and Families, or the Housing Authorities of Louisville and Jefferson counties. Participants can receive matching funds that are provided by Federal and private donations. Funds must be used for first time home purchases, college funding, or business startup capital.

The following examples highlight NCB-KY CD service activities in the Lexington MSA during the evaluation period:

**Lexington-Fayette County Housing Authority (LFHA)** - NCB-KY personnel provided technical assistance for three LFHA affordable housing initiatives. The assistance consisted of advice concerning project funding, use of tax credits, and mortgage financing. In addition, NCB-KY provided home-ownership-counseling services.

**Home-ownership Counseling** - NCB-KY employees routinely provide pre- and post-home-ownership counseling at Resources Education and Assistance for Community Housing, the Hope Center for Women, and Serenity Place. These seminars target low- and moderate-income families.

**Community Action Council (CAC)** - NCB-KY provided technical assistance to the CAC during the planning stages of a new community center in Winburn, a moderate-income neighborhood in Fayette County. CAC selected the site in order to provide low- and moderate-income persons with needed neighborhood services. The assistance consisted of advice concerning project funding, use of tax credits, and mortgage financing. In addition to recreational facilities the center will contain Head Start, child day care and county government services.

**Community Ventures Corp (CVC)** - NCB-KY is the only bank in Fayette County to offer Individual Development Accounts. These savings accounts are available to low- and moderate-income families who participate in CVC's six-week financial training. Participants can receive up to \$2 thousand in matching funds. Participants must use funds for downpayment on a car, college tuition, or business startup capital.

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

Based on limited-scope reviews, the bank's performance under the Service Test in all limited scope areas is weaker than the bank's overall High Satisfactory rating. Refer to Table 13 in Appendix C for the facts and data that support these conclusions.

The weaker performance was primarily the result of adequate or poor performance relative to population demographics. This was considered in the overall ratings conclusions, but did not negatively impact the overall rating.



## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test: HMDA                      January 1, 1997 through September 30, 1999 Small Business/Farm        January 1, 1999 through September 30, 1999 Investment Test:    January 1, 1997 through February 22, 2000 Service Test:        January 1, 1997 through September 30, 1999	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
National City Bank of Kentucky (NCB-KY) Louisville, KY	Home-purchase and refinanced loans, home-improvement loans, small-business and farm loans, Community-development loans, community-development investments, community-development services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
National City Bank of Pennsylvania	Holding corporation subsidiary	Home-purchase and refinanced loans and home-improvement loans.
Altegra Credit Company	National City Bank of Pennsylvania subsidiary	Home-purchase and refinanced loans, and home-improvement loans.
National City Bank	Holding corporation subsidiary	Home-purchase and refinanced loans and home-improvement loans.
National City Bank of Indiana	Holding corporation subsidiary	Home-purchase and refinanced loans and home-improvement loans.
National City Mortgage Corporation subsidiary	National City Bank of Indiana subsidiary	Home-purchase and refinanced loans and home-improvement loans.
Muirfield Mortgage	National City Mortgage Corporation subsidiary	Home-purchase and refinanced loans and home-improvement loans.
National City Bank of Michigan/Illinois	Holding corporation subsidiary	Home-purchase and refinanced loans and home-improvement loans.
National City Mortgage Service	MI/IL Bank subsidiary	Home-purchase and refinanced loans and home-improvement loans.
NCCDC	Holding corporation subsidiary	Community-development loans, community-development investments, community-development services.
National City Bank of Southern Indiana	Holding corporation subsidiary	Home-purchase and refinanced loans

and home-improvement loans.

<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Lexington #4280	Full-Scope	MSA
Louisville #4520	Full-Scope	MSA
Huntington #3400	Limited-Scope	MSA
Owensboro #5990	Limited Scope	MSA
Non Metropolitan Areas	Limited-Scope	Non-MSA

# Appendix B: Market Profiles for Full-Scope Areas

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## Louisville MSA

Demographic Information for Full-Scope Area: Louisville MSA #4520						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	200	10.50	20.50	40.00	29.00	0.00
Population by Geography	745,767	7.44	18.48	43.88	30.20	0.00
Owner-Occupied Housing by Geography	192,726	3.34	15.70	46.21	34.75	0.00
Businesses by Geography	29,925	7.75	20.23	37.23	34.79	0.00
Farms by Geography	703	1.00	12.52	43.10	43.38	0.00
Family Distribution by Income Level	203,271	20.43	17.23	22.11	40.23	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	76,548	13.57	27.58	44.63	14.22	0.00
Median Family Income	= \$32,975	Median Housing Value				= \$55,519
HUD Adjusted Median Family Income for 1998	= \$48,400	Unemployment Rate June 30, 1999				= 3.99%
Households Below the Poverty Level	= 13.27%					

(\*) The NA category consists of geographies that have not been assigned an income classification  
Source: 1990 U.S. Census and 1998 HUD updated MFI.

The Louisville MSA is the largest within the state of Kentucky. It is a multi-state MSA; however, NCB-KY's assessment areas only encompass communities within the state of Kentucky. Specifically, this includes Bullitt, Jefferson, and Oldham counties. As of June 30, 1999, 76.01% of the bank's deposits were derived from this MSA where NCB-KY has 53 branches and 64 ATMs. Bullitt County was added to the assessment area during the review period. NCB-KY has no branches in Bullitt, but does have a significant loan presence.

NCB-KY's deposits in this MSA are \$3.5 billion or 26.33% of the market according to the June 30, 1999 FDIC Market Share Reports. The bank is the largest deposit taking institution in Jefferson and Oldham counties. Since the bank has no branches in Bullitt County, deposit data was not available. PNC Bank, National Association, and Bank One, Kentucky, National Association with market shares of 20.85% and 17.65%, respectively, provide direct competition.

The Louisville assessment area is primarily urban, and has rebounded from past problems with high unemployment. However, underemployment continues to be a significant problem. Segments of the MSA still contain large populations of families living below the poverty level. This has created significant challenges for financial institutions attempting to originate home purchase loans. Based on a

NCB-KY internal review, there is limited housing turnover in many of the bank's low-income neighborhoods. This has also impeded the ability of financial institutions to extend home purchase loans. However, the opportunity for home improvement loans is good, since many homes in the bank's low-income tracts are in substandard condition.

As noted earlier in this Evaluation, community credit needs within the Louisville assessment area were identified by contacting several community organizations, and by reviewing other OCC community contacts made within the past 24 months. Affordable housing, particularly home-ownership for low- and moderate-income households and transitional housing for the growing homeless population were identified as needs in the community. In addition, rehabilitation loans for deteriorating homes, and economic development, including business development and job opportunities for low- and moderate-income persons were identified as significant needs.

A moderate level of opportunities exist for creating partnerships with nonprofit housing organizations, community service groups, credit counseling agencies, and micro-loan funds. Our contacts indicated that a number of community groups operate in the area, but that their capacity is limited. In addition, contacts stated that during the review period, administrative problems prevented the allocation of Community Development Block Grant Funds. This further limited the capacity of local community groups to rehabilitate properties in the Louisville MSA. The City of Louisville operates a "Land Bank" program. This program offers vacant land lots to community groups at extremely affordable prices. Competition for community development loans, investments, and services is moderate. Most of the competition in Jefferson and Oldham counties consists of the two large banks described earlier. Local community banks dominate Bullitt County.

## Lexington MSA

Demographic Information for Full-Scope Area: Lexington MSA #4280						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	94	6.38	22.34	44.68	25.53	1.06
Population by Geography	386,700	5.84	21.93	45.15	27.01	0.07
Owner-Occupied Housing by Geography	85,387	2.81	18.05	48.28	30.86	0.00
Businesses by Geography	15,787	4.81	26.65	43.84	24.49	0.20
Farms by Geography	960	1.25	13.13	55.31	30.31	0.00
Family Distribution by Income Level	100,948	21.67	16.23	21.36	40.74	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	38,258	8.37	30.10	47.77	13.75	0.00
Median Family Income	= \$32,687	Median Housing Value		= \$68,145		
HUD Adjusted Median Family Income for 1998	= \$48,800	Unemployment Rate June 30, 1999		= 3.43%		
Households Below the Poverty Level	= 15.43%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 1998 HUD updated MFI.

The Lexington MSA consists of Clark, Fayette, Jessamine, Madison, Scott, Woodford, and Bourbon counties. The bank's assessment area excludes Bourbon County where the bank has no offices. As of June 30, 1999, 9.88% of NCB-KY's deposits were derived from this MSA where the bank has 22 branches and 23 ATMs. No changes were made to this assessment area during the evaluation period.

NCB-KY's deposits in this MSA are \$451 million or 8.84% of the market according to the June 30, 1999 FDIC Market Share Reports. The bank has a significant presence in Jessamine County where it is the third largest depositor. All other counties are dominated by community banks, or by Bank One, Kentucky National Association.

The area has an abundance of deteriorated older housing. In addition, there are numerous vacant and/or neglected structures and lots. Most of these vacancies are located in low-income census tracts.

A number of low-income census tracts within the City of Lexington are in close proximity to Kentucky and Transylvania Universities. When these properties are placed on the market, private investors quickly purchase and convert them into

lucrative student housing. This has adversely impacted the availability of affordable housing options within the inner city. Further complicating the situation, is the sizeable number of abandoned properties and vacant lots that are in ownership dispute. The city is currently holding these properties. However, without an undisputed deed, the city has been impeded in its ability to create an effective Land Bank, or to allow property rehabilitation/new construction on the vacant sites.

Outside of the city of Lexington, land prices are very high and little land is available for building affordable housing. In addition some municipalities have implemented measures to reduce the growth of subdivisions. These measures require that land lots for new homes be a minimum of 10 acres. This stipulation has negatively impacted the ability of low- and moderate-income borrowers to purchase homes.

As noted earlier in this Evaluation, community credit needs within the Lexington assessment area were identified by contacting several community organizations and by reviewing other OCC community contacts made within the past 24 months. Affordable housing for low- and moderate-income households and rehabilitation products for older housing stock were identified as significant needs in the community. In addition, economic development was noted as a need in the community. Specifically, projects that increase job opportunities or provide training for Welfare to Work participants are needed.

The level of opportunity for creating partnerships with nonprofit housing organizations and micro loan funds is limited. There are numerous community service groups in the area that need donations or technical expertise. Competition for community development loans, investments, and services is high. Most of the competition consists of large community banks that dominate local markets.



## Appendix C: Tables of Performance Data

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### 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/assessment area; 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/assessment area.

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/assessment area.
- 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/assessment area. 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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 have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**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:	% of Rated Area Deposits in MSA/AA*	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)	
<b>Full Scope:</b>												
Louisville (4520)	76	13,150	1,013,317	1,114	76,153	3	687	33	10,760	14,300	1,100,917	47
Lexington (4280)	10	5,510	486,432	704	62,642	159	7,308	20	2,547	6,393	558,929	21
<b>Limited Scope:</b>												
Huntington (3400)	3	1,218	58,797	125	9,544	5	62	1	530	1,349	68,933	4
Owensboro (5990)	2	1,784	138,291	172	10,989	23	2,123	1	70	1,980	151,473	7
Non Metropolitan Areas	9	5,724	378,833	379	43,922	168	6,836	7	5,496	6,278	435,087	21

(\*) Deposit data as of June 30, 1999.

(\*\*) The evaluation period for Home Mortgage Loans is January 1, 1997 to September 30, 1999.

(\*\*\*) The evaluation period for Small Loans to Businesses and Small Loans to Farms is January 1, 1999 to September 30, 1999.

(\*\*\*\*) The evaluation period for Community Development Loans is January 1, 1997 to September 30, 1999.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE										Evaluation Period: 01/01/1997 to 9/30/1999						
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home 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 **
<b>Full Scope:</b>																
Louisville (4520)	3.34	1.69	15.70	9.36	46.21	41.52	34.75	47.43	1	8.15	6.74	7.17	7.91	8.72	4,261	46
Lexington (4280)	2.81	1.00	18.05	11.11	48.28	44.61	30.86	43.28	1	8.42	6.10	7.24	7.81	9.53	2,403	26
<b>Limited Scope:</b>																
Huntington (3400)	0	0	30	13	36	34	34	53	3	8.0	0.0	1.8	11.3	8.2	252	3
Owensboro (5990)	4	2	8	4	65	61	23	32	2	14.3	9.5	10.1	13.4	17.4	710	8
Non Metropolitan Areas	2	0	30	15	33	30	36	55	1	14.1	3.6	13.1	14.8	14.0	1,613	17

(\*) 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										Evaluation Period: 01/01/1997 to 9/30/1999						
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	Low	Mod	Mid	Upp	#	% of Total **
<b>Full Scope:</b>																
Louisville (4520)	3.34	4.31	15.70	18.40	46.21	49.52	34.75	27.77	1	23.21	28.42	23.34	23.25	22.37	3,435	63
Lexington (4280)	2.81	1.66	18.05	14.60	48.28	51.39	30.86	32.35	1	12.11	7.41	8.06	12.43	14.40	541	10
<b>Limited Scope:</b>																
Huntington (3400)	0	0	30	14	36	32	34	54	1	41.5	0.0	46.2	32.0	47.0	415	8
Owensboro (5990)	4	3	8	3	65	66	23	28	3	15.4	0.0	7.4	14.4	24.4	149	3
Non Metropolitan Areas	2	0.0	30	41	33	30	36	29	1	34.0	0.0	39.0	34.6	30.0	888	16

(\*) 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										Evaluation Period: 01/01/1997 to 9/30/1999						
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	Low	Mod	Mid	Upp	#	% of Total **
<b>Full Scope:</b>																
Louisville (4520)	3.34	1.27	15.70	7.83	46.21	38.12	34.75	52.78	2	8.31	4.08	4.85	7.45	10.17	5,451	43
Lexington (4280)	2.81	1.41	18.05	11.89	48.28	43.84	30.86	42.86	1	10.44	8.89	8.64	10.28	11.17	2,557	20
<b>Limited Scope:</b>																
Huntington (3400)	0	0	30	10	36	35	34	55	2	20.7	0.0	12.3	22.6	21.9	551	4
Owensboro (5990)	4	3	8	6	65	62	23	29	1	16.1	7.5	18.8	14.4	20.4	922	7
Non Metropolitan Areas	2	0	30	23	33	34	35	43	1	23.3	7.7	31.9	29.2	18.4	3,220	26

(\*) 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: 01/01/1999 to 9/30/1999						
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	
	% Businesses	% BANK Loans	% Businesses	% BANK Loans	% Businesses	% BANK Loans	% Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total **
<b>Full Scope:</b>																
Louisville (4520)	7.75	7.00	20.23	18.04	37.23	29.98	34.79	44.98	NA	NA	NA	NA	NA	NA	1,114	45
Lexington (4280)	4.81	2.98	26.65	31.96	43.84	35.93	24.49	28.98	NA	NA	NA	NA	NA	NA	704	28
<b>Limited Scope:</b>																
Huntington (3400)	0	0	44	31	35	47	21	22	NA	NA	NA	NA	NA	NA	125	5
Owensboro (5990)	14	18	18	15	48	42	20	24	NA	NA	NA	NA	NA	NA	172	7
Non Metropolitan Areas	2	1	26	25	32	35	40	39	NA	NA	NA	NA	NA	NA	379	15

(\*) The bank's small business data was unreliable for 1998; as a result market share data was not used.

(\*\*) 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: 01/01/1999 to 9/30/1999						
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	
	% Farms	% BANK Loans	% Farms	% BANK Loans	% Farms	% BANK Loans	% Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total **
<b>Full Scope:</b>																
Louisville (4520)	1.00	0.00	12.52	0.00	43.10	0.00	43.38	100.00	NA	NA	NA	NA	NA	NA	3	1
Lexington (4280)	1.25	.64	13.13	15.72	55.31	57.86	30.31	25.78	NA	NA	NA	NA	NA	NA	159	44
<b>Limited Scope:</b>																
Huntington (3400)	0	0	31	0	44	0	25	100	NA	NA	NA	NA	NA	NA	5	1
Owensboro (5990)	0	0	2	0	87	87	11	13	NA	NA	NA	NA	NA	NA	23	6
Non Metropolitan Areas	1	0	8	21	30	32	61	47	NA	NA	NA	NA	NA	NA	168	48

(\*) The bank's small farm data was unreliable for 1998, as a result market share data was not used.

(\*\*) 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**

Geographic Distribution: HOME PURCHASE										Evaluation Period: 01/01/1997 to 9/30/1999						
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	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope:</b>																
Louisville (4520)	20.43	5.00	17.23	15.09	22.11	20.44	40.23	32.62	1	8.15	5.61	6.88	7.96	7.80	4,261	46
Lexington (4280)	21.67	4.83	16.23	12.53	21.36	23.30	40.74	34.58	1	8.42	4.08	6.08	7.76	8.48	2,403	26
<b>Limited Scope:</b>																
Huntington (3400)	24	2	16	13	19	17	41	35	3	8.0	0.0	5.6	6.8	6.8	252	3
Owensboro (5990)	21	4	18	12	23	16	18	35	2	14.3	5.4	10.1	10.6	13.6	710	8
Non Metropolitan Areas	25	2	15	8	17	18	43	46	1	14.1	3.0	8.8	12.1	16.7	1,613	17

(\*) As a percentage of loans with borrower income information available. No information was available for 27% loans originated and purchased 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**

Geographic Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1997 to 9/30/1999						
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	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope:</b>																
Louisville (4520)	20.43	16.27	17.23	21.72	22.11	25.01	40.23	36.51	1	23.21	25.79	23.50	20.76	24.43	3,435	63
Lexington (4280)	21.67	10.17	16.23	21.07	21.36	30.68	40.74	37.88	1	12.11	8.57	14.33	13.18	11.93	541	10
<b>Limited Scope:</b>																
Huntington (3400)	24	6	16	22	19	25	41	47	1	41.5	32.3	35.1	50.0	41.3	415	8
Owensboro (5990)	21	11	18	22	23	23	38	44	3	15.4	11.6	20.0	13.1	16.6	149	3
Non Metropolitan Areas	25	10	15	14	17	21	43	55	1	34.0	23.2	30.0	32.4	40.7	888	16

(\*) As a percentage of loans with borrower income information available. No information was available for <1-% loans originated and purchased 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**

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1997 to 9/30/1999						
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	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
<b>Full Scope:</b>																
Louisville (4520)	20.43	3.72	17.23	9.32	22.11	15.39	40.23	31.50	2	8.31	3.35	4.80	5.64	6.75	5,451	43
Lexington (4280)	21.67	4.26	16.23	8.41	21.36	16.00	40.74	35.00	1	10.44	6.01	6.05	8.89	8.66	2,557	20
<b>Limited Scope:</b>																
Huntington (3400)	24	1	16	5	19	12	41	43	2	20.7	6.0	8.6	13.4	15.3	551	4
Owensboro (5990)	21	4	18	10	23	19	38	32	1	16.1	7.1	11.0	11.8	11.3	922	7
Non Metropolitan Areas	25	2	15	6	17	12	43	42	1	23.3	10.9	14.5	18.8	20.2	3,220	26

(\*) As a percentage of loans with borrower income information available. No information was available for 38% loans originated and purchased 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			Evaluation Period: 01/01/1999 TO 09/30/1999						
MSA/Assessment Area:	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	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total****
<b>Full Scope:</b>									
Louisville (4520)	68.88	36.00	84.11	8.35	7.54	NA	NA	1,114	45
Lexington (4280)	68.05	47.30	77.41	13.35	9.23	NA	NA	704	28
<b>Limited Scope:</b>									
Huntington (3400)	70	49	82	9	9	NA	NA	125	5
Owensboro (5990)	68	45	85	11	4	NA	NA	172	7
Non Metropolitan Areas	54	59	74	12	14	NA	NA	379	15

(\*) 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 businesses.

(\*\*\*) Bank's 1998 small business data unreliable, as a result 1998 market share data was not used.

(\*\*\*\*) 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			Evaluation Period: 01/01/1999 TO 09/30/1999						
MSA/Assessment Area:	Farms with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share***		Total Small Farm Loans	
	% of Farms *	% BANK Loans**	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total****
<b>Full Scope:</b>									
Louisville (4520)	95.59	66.67	33.33	0.00	66.67	NA	NA	3	1
Lexington (4280)	94.38	52.20	89.31	9.43	1.26	NA	NA	159	44
<b>Limited Scope:</b>									
Huntington (3400)	97	100	100	0	0	NA	NA	5	1
Owensboro (5990)	99	57	69	22	9	NA	NA	23	6
Non Metropolitan Areas	98	69	92	5	3	NA	NA	168	48

(\*) 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.

(\*\*\*) Bank's 1998 small farm data unreliable, as a result, 1998 market share data was not used.

(\*\*\*\*) 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		Evaluation Period: 01/01/1997 to 2/22/2000							
MSA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
<b>Full Scope:</b>									
Louisville (4520)	21	12,732	75	5,565	96	18,297	82.89	12	2,405
Lexington (4280)	4	2,246	43	579	47	2,825	12.80	3	118
<b>Limited Scope:</b>									
Huntington (3400)	0	0	10	49	10	49	< 1	1	14
Owensboro (5990)	0	0	23	18	23	18	< 1	0	0
Non Metropolitan Areas	0	0	48	884	48	884	4	3	578

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

(\*\*) "Unfunded Commitments" mean legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

**Table 13. Distribution of Branch Delivery System**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																		Evaluation Period: 01/01/1997 to 09/30/1999							
MSA Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population											
	% of Rated Area Deposits in MSA/AA	# of Bank Branches	% of Total Bank Branches	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 (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp								
<b>Full Scope:</b>																									
Louisville (4520)	76	53	49	7.55	11.32	43.40	37.73	3	1	0	-1	-1	0	7.44	18.48	43.88	30.20								
Lexington (4280)	10	22	20	9.09	13.64	59.09	18.18	2	0	0	-1	-1	0	5.84	21.93	45.15	27.01								
<b>Limited Scope:</b>																									
Huntington (3400)	3	7	6	0.0	14.3	42.9	42.8	0	1	0	1	0	0	0.0	31.9	37.7	30.4								
Owensboro (5990)	2	5	5	20.0	0.0	40.0	40.0	1	0	0	0	-1	0	6.2	9.2	64.3	20.3								
Non Metropolitan Areas	9	21	20	0	28.6	23.8	47.6	2	0	0	0	-1	-1	1.6	31.6	32.5	34.3								