



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

December 31, 1996

National City Bank of Kentucky
Charter Number 109
101 South Fifth Street
Louisville, Kentucky 40202-3101

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

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **National City Bank of Kentucky** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **December 31, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ABBREVIATIONS

The following abbreviations are used in this Public Evaluation:

ATM	-	Automated Teller Machine
CRA	-	Community Reinvestment Act
FHA	-	Federal Housing Administration
HMDA	-	Home Mortgage Disclosure Act
MSA	-	Metropolitan Statistical Area
NCBKY	-	National City Bank of Kentucky
NCC	-	National City Corporation
NCCDC	-	National City Community Development Corporation
SBA	-	U.S. Small Business Administration
VA	-	Veteran's Administration

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

Outstanding record of meeting community credit needs.

Evaluation Period - National City Bank of Kentucky's (NCBKY) previous Public Disclosure is dated July 27, 1995. The current disclosure evaluates the bank's performance from July 28, 1995 through December 31, 1996.

NCBKY manages its obligations under the Community Reinvestment Act as a distinct legal entity. It does not rely in any fundamental way on the lending activities of affiliated lenders for the evaluation of its performance or for the rating contained in this Performance Evaluation. It does rely on National City Community Development Corporation (NCCDC), an affiliate of National City Bank of Kentucky, for the community development activities discussed in this evaluation.

Bank Profile - National City Bank of Kentucky (NCBKY), located in Louisville, Kentucky, is a wholly-owned subsidiary of National City Corporation (NCC), a multi-bank holding company headquartered in the City of Cleveland, Cuyahoga County, Ohio. NCC operates 11 commercial banks in Ohio, Indiana, Kentucky, and Pennsylvania. As of December 31, 1996, NCC had assets of \$51 billion.

NCBKY's primary lending focus is real estate lending (42% of net loans), commercial lending (30% of net loans), and consumer lending (15% of net loans). Its loan to deposit ratio is 110% as of December 31, 1996. This compares to 90% for peer banks.

Within the overall delineated community, there are numerous community and large regional banks with which NCBKY must compete.

Table 1 shows pertinent financial information for the period under review. It is important to note that during 1996, a merger occurred which increased asset size.

Table 1. Year-end Assets, Income, and Return on Assets
\$(millions)

	1995	1996
Average Assets	\$6,651	\$7,445
Net Income	\$86	\$106
Return on Average Assets	1.30%	1.42%

Source: Consolidated Report of Income and Condition

Community Profile - NCBKY delineates its local community based on geographical boundaries and branch locations. As of December 31, 1996, NCBKY's community delineation includes the Louisville area, the Central/Lexington area, the Bowling Green area, the Ashland area, the Southeast area, and the Owensboro area. The Louisville area consists of Jefferson and Oldham counties in Louisville Metropolitan Statistical Area (MSA) #4520, and Nelson county which is not in an MSA. The Central/Lexington area consists of Fayette, Clark, Scott, Woodford, Jessamine, and Madison counties in the Lexington MSA #4280, and Boyle, Franklin, and Mercer counties which are not in an MSA. The Bowling Green area consists of Warren county which is not in an MSA. The Ashland area consists of Boyd and Greenup counties which are in the Huntington-Ashland MSA #3400. The Southeast area consists of Bell, Harlan, Laurel, Clay, Knox, and Whitley counties, none of which are in an MSA. The Owensboro area consists of Daviess county which is in the Owensboro MSA #5990.

As of the 1990 census, median family income for the area was \$28,982. The delineated community consists of 428 census tracts. Two of these are not categorized by income characteristics.

The overall distribution of the census tracts is as follows:

Table 2. Census Tract Distribution

Tract Characteristics	Number of Tracts	% of Total Tracts	% of Total Population	#of Housing Units
Low- and Moderate- income (< 80% of median)	134	31%	27%	187,305
Middle-income (80% to 120%)	167	39%	42%	284,553
Upper-income (> 120%)	125	29%	31%	208,274
NA	2	1%	<1%	-

Source: 1990 U.S. Census, MSA demographics

Table 3 shows additional demographic information for NCBKY's delineated community.

Table 3. Demographic Information for NCBKY's Delineated Community

	Totals
Population	1,651,200
# housing units	680,122
# occupied housing units	632,097
# owner-occupied housing units	412,769

Source: 1990 U.S. Census, MSA demographics

The table shows that NCBKY's delineated community includes a substantial level (93%) of occupied housing units and a moderate level (61%) of owner-occupied housing units.

The unemployment rate for the delineated community (3%) is much lower than the rate for the State of Kentucky (6%). Dominant industries include manufacturing, health services, retail sales, and agriculture. Major employers include United Parcel Service, General Electric, Ford Motor Company, government agencies, colleges and universities, Toyota Motor Company, IBM Corporation, Armco Steel Company, Ashland Petroleum Company, Commonwealth Aluminum, Big Rivers Electric Corporation, and the General Motors Corvette plant.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - *Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.*

- **NCBKY has established effective outreach activities which enable it to ascertain community credit needs.**

Management ascertains credit needs through a variety of means, including a formal calling program, communications with community groups, and market analysis. NCBKY maintains ongoing, meaningful contacts with community groups throughout its delineated community.

The bank's formal calling program is a major component of its ascertainment process. Officers call on existing and potential customers, obtaining information on credit needs and market conditions within the specific communities.

Management also receives valuable feedback regarding community credit needs from its involvement with community organizations. These include a variety of civic, small business, and community development groups, particularly those serving low- and moderate-income individuals. In addition, management pursues contacts with government officials and area realtors. The extensive network of community contacts and relationships allows for ongoing feedback about community credit needs and NCBKY's effectiveness in meeting those needs. These efforts have identified the following credit and service needs in the delineated community:

- Financing for home purchase and home improvement loans
- A program for affordable housing loans
- A lease-to-purchase home mortgage program
- Assistance to small businesses.

The bank addresses these needs through its Easy Start loan program, the Fixer Upper loan program, and Rural Housing Services, a government-guaranteed loan program. The bank recently developed an innovative lease-to-purchase loan program by revising part of Easy Start, its existing affordable mortgage product. To address the needs of small businesses, the bank participates in Small Business Administration (SBA) lending programs and offers an NCBKY small business line of credit.

These programs are addressed in detail under Assessment Factors B, I, and L.

Assessment Factor C - *The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.*

- **The Board of Directors takes an active role in the formulation of CRA policies and practices.**

CRA is an integral part of the Board and management planning process. A formal, written CRA program is in place. This program includes policy statements, goals and objectives for each service area, and a CRA Officer. An effective annual self-assessment process is also part of the program. The Board and senior management are apprised of the bank's CRA program on an ongoing basis through periodic reports from the CRA Officer and the self-assessment program.

The Board of Directors has adopted the CRA policy developed by NCC. This policy is then customized to take into account local conditions and demographics. The Board and Senior management are actively involved in the development of the CRA program through participation on the Board Public Policy Committee and the Management Public Policy Committee. Both of these committees provide active oversight of the CRA program. The CRA program is reviewed and adopted by the full Board of Directors annually.

NCBKY is in compliance with the technical requirements of CRA. The current CRA statement was approved by the Board of Directors on April 19, 1996.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - *The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.*

- **NCBKY makes a strong effort to ensure that the entire community is aware of the products and services it offers.**

NCBKY administers its marketing program on a local level. The plan is designed to promote products tailored to meet the particular credit needs ascertained in each area served by the bank. Management develops a CRA Tactical Plan annually which identifies the marketing goals for each service area. Strategies to meet these goals are tailored to meet each market.

An overall marketing liaison in Louisville monitors the marketing efforts and provides technical assistance to each specific service area. Advertising campaigns are tracked monthly for each delineated community. Some products may not be available in all markets, as each product is tailored to meet the credit needs ascertained in the specific service area.

Marketing is done through the traditional media of newspaper, radio, magazines, publications, television, billboards, and bus shelters. NCBKY also uses an extensive network of community groups and realtors to inform the public of its products and services. Media selection is designed to inform the entire community and does not exclude any low- and moderate-income areas. Both image and targeted methods are used to market the bank's products and services throughout the community. Products are also marketed through its extensive branch network, point of sale posters, and alternative delivery vehicles such as its 24-hour Loan Phone.

Assessment Factor I - *The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans and small business loans.*

- **NCBKY's level of origination of mortgage, home improvement, and small business loans within its community reflects a strong level of responsiveness to identified credit needs.**

NCBKY offers a variety of consumer and commercial loan products to address identified credit needs. The current CRA Statement correctly lists the credit products offered by the bank. These products are readily available throughout the entire delineated community.

- Residential: Purchase money mortgage loans, home improvement loans, home equity loans, and lines of credit
- Consumer: Installment loans, lines of credit, credit cards, and education loans;
- Commercial: Term loans and lines of credit.

A specific loan program developed by the bank to meet the need for residential loans was the Easy Start loan program. This program was designed primarily for low- and moderate-income individuals and features flexible underwriting guidelines such as no origination fees or points, no requirement for Private Mortgage Insurance, and lower down payment requirements.

Table 4 shows significant mortgage loan activity generated by NCBKY over the last two years. This table includes the loans made in connection with the Easy Start loan program, which is more fully detailed in Table 5. Participation in the Easy Start program decreased substantially in 1996 because other financial institutions in the marketplace developed similar programs, and NCBKY tightened its underwriting standards due to an increase in delinquencies. Table 4 shows that there was a 13% increase in the number of real estate mortgage loans from 1995 to 1996, and a 6% increase in the dollar amount of loans during the same period. NCBKY is the number 1 originator of housing related loans out of the 300 providers in the bank's market area.

Table 4. Housing-Related Loan Originations

	1995		1996	
	#	\$(millions)	#	\$(millions)
Mortgage	3,033	\$243	3,421	\$258
Home Improvement	4,004	\$32	3,116	\$31
Total	5,911	\$275	4,790	\$289

Source: Internal Bank Reports

Table 5. Easy Start Loan Originations

	# of loans	\$(millions)
1995	282	\$13
1996	58	\$3

Source: Internal Bank Reports

NCBKY also offers a loan program for home improvement and home rehabilitation. This program, the Fixer Upper loan, is a flexible program targeted to low- and moderate-income individuals. The bank does not specifically track originations of this product.

A large portion of the commercial loans originated by NCBKY are to small businesses, generally defined as those with less than \$1 million in annual revenue. Table 6 shows the breakdown of small commercial loans originated by the bank in 1996. These numbers were not available for 1995. During 1996, over 82% of the bank's small business loans were for less than \$100,000, with the average loan amount for all small business loans being \$80,000. The table shows that the bank is making small loans to small businesses.

Table 6. 1996 Small Business Loans

Loan Amounts	# of loans	\$(millions)
<\$100,000	3,167	\$93
>\$100,000 & <= \$250,000	420	\$73
>\$250,000	284	\$145
Total	3,871	\$311

Source: Internal Bank Reports

NCBKY is also committed to making small farm loans to help farmers in the delineated community with their specific credit needs. Table 7 shows the breakdown of small farm loans originated by NCBKY in 1996. These numbers were not available for 1995. During 1996, over 88% of the bank's small farm loans were for less than \$100,000, with the average loan amount for all small farm loans being \$50,000. The table shows that the bank is making small loans to small farms.

Table 7. 1996 Small Farm Loans

Loan Amounts	# of loans	\$(millions)
<\$100,000	300	\$8
>\$100,000 & <= \$250,000	28	\$5
>\$250,000	12	\$4
Total	340	\$17

Source: Internal Bank Reports

Assessment Factor J - *The institution's participation in government insured, guaranteed or subsidized loan programs.*

- **NCBKY's participation in government programs is acceptable considering the opportunities available.**

NCBKY is heavily involved in SBA loan programs for area small businesses, FHA/VA housing loan programs (including Kentucky Housing Corporation programs), and Rural Housing Services loans (RHS). Participation in other government programs is limited because NCBKY and other financial institutions in the community have developed loan programs designed to meet these needs. The RHS program was first utilized in 1996, during which time 17 loans were funded for \$1,002,000.

NCBKY currently has a total of 77 SBA loans outstanding for \$14 million. Table 8 shows the number and dollar amounts of SBA loans made by NCBKY in the last two years.

Table 8. Participation in SBA Programs

Year	# of loans	\$(000)
1995	15	\$1,023
1996	7	\$1,078

Source: Internal Bank Reports

Table 9 illustrates the bank's participation in FHA/VA loan programs. These numbers include those loans which were funded through the Kentucky Housing Corporation.

Table 9. Participation in FHA/VA Programs

Year	# of loans	\$(000)
1995	206	\$14,974
1996	160	\$11,485

Source: Internal Bank Reports

The decrease in both programs since 1995 can be attributed to the availability of similar programs by the bank.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

NCBKY's delineated area, as defined previously in the evaluation, is reasonable and does not arbitrarily exclude low- and moderate-income areas.

Assessment Factor E - *The geographic distribution of the institution's credit extensions, credit applications, and credit denials.*

- **The geographic distribution of NCBKY's credit extensions, credit applications, and denials is very good. The bank has received applications and has extended credit throughout the delineated community.**

The following tables show the distribution of various residential mortgage products that are reported on Home Mortgage Disclosure Act Loan Application Registers (HMDA-LAR). This information is only reported for applications and loans within MSAs. Our market share analysis is based on the number of applications received and loans originated by all providers of mortgage products within the Louisville, Lexington, Ashland, and Owensboro, KY MSAs.

Numbers of loans, rather than the dollar amount of those loans, are used for this analysis. They are most meaningful for comparison purposes as they are more indicative of the number of borrowers being served.

Census tract characteristics were identified under the Community Profile section of this report.

Our market share analysis focuses on 1995; comparable information for 1996 is not yet available. Table 10 shows that NCBKY's overall market share of the number of loan applications received and the number of loans made within low- and moderate-income census tracts was greater than its overall market share.

Table 10. 1995 Market Share by Tract Characteristics

	Low/Mod	Mid	Upper	Total
Purchase Money Applications	8.0%	5.1%	7.2%	6.4%
Purchase Money Loans	9.5%	5.8%	8.1%	7.4%
Home Improvement Applications	30.8%	30.2%	33.4%	31.1%
Home Improvement Loans	31.7%	30.4%	33.7%	31.7%
Total Applications	14.3%	10.8%	11.5%	11.8%
Total Loans	15.4%	11.8%	12.9%	12.9%

Source: HMDA-LAR

Also considered in this evaluation is the total number of HMDA-reportable loans that NCBKY originated within various census tracts and to borrowers of various income levels. In 1995, this distribution was available only for loans originated within MSAs. NCBKY originated an additional 2,285 loans outside of MSAs in 1995 which are not included in the table below. The 1996 tables include all of the delineated community.

Table 11 shows that in 1995, NCBKY's distribution of loans to low- and moderate-income census tracts was reasonable when compared to the number of housing units available. Table 12, however, shows that NCBKY's lending to low- and moderate-income borrowers is very strong. Income levels of borrowers and families are irrespective of where they live within the community.

Table 11. 1995 Loan Originations by Tract Characteristics

	Low/Mod	Mid	Upper	Total
Number of Loans	1,038	1,897	1,817	4,752
% of Loans Originated	22%	40%	38%	
% of Total Tracts	31%	39%	29%	
% of Housing Units	27%	42%	31%	

Source: HMDA-LAR

Table 12. 1995 Loan Originations by Income Borrower Characteristics

	Low/Mod	Mid	Upper	NA*	Total
Number of Loans	2,043	573	1,991	145	4,752
% of Loans Originated	43%	12%	42%	3%	
% of Families	38%	21%	41%	-0-	

Source: HMDA-LAR

*Income not available

Tables 13 and 14 include all HMDA-reportable loans originated within the bank's delineated community during 1996. Table 13 shows that NCBKY's percentage of loans in low- and moderate-income tracts is reasonable when compared to the housing opportunities available in this area. However, table 14 shows that the percentage of loans to low- and moderate-income borrowers is strong.

Table 13. 1996 Loan Originations by Tract Characteristics

	Low/Mod	Mid	Upper	Total
Number of Loans	1,527	2,611	2,240	6,378
% of Loans Originated	24%	41%	35%	
% of Total Tracts	31%	39%	29%	
% of Housing Units	27%	42%	31%	

Source: HMDA-LAR

Table 14. 1996 Loan Originations by Borrower Income Characteristics

	Low/Mod	Mid	Upper	NA*	Total
Number of Loans	2,448	735	3,030	165	6,378
% of Loans Originated	38%	12%	47%	3%	
% of Families	38%	21%	41%	-0-	

Source: HMDA-LAR

*Income not available

NCBKY also performs a distribution analysis of its consumer deposit and loan portfolios among various census tracts. Table 15 shows the results of the distribution analysis for 1996. The table shows the number of accounts and percentage of total accounts. The analysis is based on loans outstanding as of year-end 1996, and does not reflect loans that may have been sold to third parties. The table shows that the loan distribution is comparable to the distribution of deposits.

Table 15. 1996 Distribution Analysis by Tract characteristics

	Low/Mod		Mid		Upper	
	#	%	#	%	#	%
CONSUMER DEPOSITS	61,126	17%	167,368	47%	125,271	35%
Consumer Mortgage Loans	1,661	12%	6,419	45%	6,191	43%
Other Consumer Loans	21,807	15%	69,981	48%	53,468	37%
TOTAL CONSUMER LOANS	23,468	15%	76,400	48%	59,659	37%

Source: Internal Bank Report

Assessment Factor G - *The institution's record of opening and closing offices and providing services at offices.*

- **NCBKY's branch offices are reasonably accessible and have a good record of providing services to all segments of the community.**

NCBKY has 123 full service offices located throughout the community. One hundred and nine of these offices have Automated Teller Machines (ATM) and 39 have drive-in service. There are 18 freestanding ATM stations and one drive-in only facility. Twenty-nine offices are located in low- and moderate-income census tracts. Most offices are open six days per week, with extended hours on Friday and limited hours on Saturday.

During the review period, the bank closed 14 offices, five of which were in low- and moderate-income census tracts. The closings were due to a duplication of offices after recent acquisitions. The deposit accounts from these offices were transferred to other NCBKY offices located within several blocks of the closed locations. In the case of each closing, the bank complied with the NCC branch closing policy which requires detailed analysis of the effect of the closings on the customer base of the branch. The institution's record of closing offices has not had an adverse impact on its local community.

Also during this time period the bank opened 15 new offices, several of which were in grocery stores in Lexington, Bardstown, Frankfort, Georgetown, Middlesboro, Louisville, and Owensboro. Three of these 15 new offices were located in low- and moderate-income census tracts. All of these locations provide additional and convenient access for the community.

NCBKY offers a low cost lifeline checking product for customers with limited banking needs. As of December 31, 1996, NCBKY had 7,691 of these accounts opened, with an average balance of \$562. Thirty percent of these accounts were held by individuals living in low- and moderate-income areas.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - *Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).*

- **NCBKY does not discourage credit applicants on a prohibited basis.**

NCBKY affirmatively solicits credit applications from all segments of its community, including low- and moderate-income areas. Policies, procedures and training promote fair lending. NCBKY's policy on nondiscrimination in lending states that the bank is committed to full compliance with the letter and the spirit of all regulations governing fair lending.

Training in fair lending laws and principles is provided to all applicable employees. NCBKY has implemented procedures, such as second review of denied applications, to detect and address potential discriminatory practices.

Assessment Factor F - *Evidence of prohibited discriminatory or other illegal credit practices.*

- **NCBKY is in compliance with fair lending and fair housing laws and regulations. No violations or illegal practices were noted.**

Our examination included testing for compliance with the ECOA and the Fair Housing Act. We performed a review of direct home improvement loan applications, testing for illegal discrimination based on the race of the applicant. We compared a sample of denied applications from black applicants to a sample of approved applications from white applicants, testing for non-discriminatory application of the bank's credit scoring system. All of these loan applications were received by NCBKY during 1996. Our review found no evidence of illegal discrimination.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - *The institution's participation, including investments, in local community development and redevelopment projects or programs.*

- **NCBKY is a strong participant in community development programs and projects through its own activities and through investments made by its community development affiliate, NCCDC. The bank also makes numerous contributions to various community development organizations.**

NCBKY is very active in each of its delineated communities in supporting community development projects and programs. Most of these projects address housing needs, but several projects are targeted towards bringing jobs and industry to revitalize and stabilize the community. Examples of the projects supported in the different communities include:

Louisville - During 1995 and 1996, NCBKY funded loans for "Section 8" affordable housing projects that totaled \$17 million. These ten projects will provide 1503 housing units.

Lexington - NCBKY is a partner in a project to rehabilitate an old school by rebuilding the structure into an apartment complex for elderly residents of a low- and moderate-income area of Lexington. The total rehab cost is estimated to be \$3.3 million and the project will provide 56 housing units. As the project progresses, NCBKY will determine its total level of participation.

Bowling Green - The bank financed two 30-unit low-income housing projects during 1996, in the amount of \$1 million. These units were targeted toward families in Warren County who earned less than 50% of the county's median income.

Southeast - During 1996, a local factory was going to close in London, KY, a low- and moderate-income area. To save the jobs of more than 500 individuals, NCBKY loaned two employees of the factory the money to buy the operation and save the jobs.

Owensboro - During 1996, NCBKY developed a program with the City of Owensboro that was designed to assist low- and moderate-income borrowers renovate their homes. However, participation in this program has not been as strong as expected due to the availability of similar programs in the community.

Ashland - In 1995, NCBKY, as a member of the local Economic Development Corporation, participated with other local financial institutions in a project to build a commercial building for the purpose of attracting industry and creating new manufacturing jobs. The total cost of the project was \$400 thousand, with NCBKY's portion being \$85,800.

NCBKY's participation with NCCDC has produced very favorable results with local community development projects. In 1995, the NCCDC made three equity investments in the Louisville area for projects that totaled \$6.4 million. NCCDC's equity portion of this was \$1 million. The projects financed 107 housing units. Also during 1995, NCCDC made six investments using tax credits for projects that totaled \$11.5 million. NCCDC's portion was \$3.6 million. The projects financed 148 housing units.

In 1996, the NCCDC again made three equity investments in the Louisville area for projects that totaled \$11 million. NCCDC's equity portion was \$1 million. These projects financed 145 housing units. Also during 1996, the NCCDC made seven investments using tax credits for projects that totaled \$11 million. NCCDC's portion was \$3.5 million. These projects financed 158 housing units.

Examples of the types of projects in which the NCCDC invested are:

- **Brandeis School Apartments** - a project to convert a former school into 50 low-income apartments in Louisville, KY. NCCDC's investment in the \$4.1 million project is \$1.4 million, while NCBKY will provide a \$647 thousand first mortgage as part of the financing. NCBKY's participation in this project earned the bank a nomination for the *1997 Outstanding Community Investment Award* from a national social-service group. This award recognizes banks that provide the most effective partnership-based approaches for strengthening America's "at-risk" neighborhoods and the partnership leaders who are providing exceptional leadership investing in the future of America's neighborhoods.
- **STEDCO Homes Limited Partnership** - a project to build 73 new single family homes in a low- to moderate-income area of Louisville, KY. The NCCDC will provide \$175 thousand to build three model homes. The total project will involve \$4.3 million.

- South Parkland Limited Partnership - a project to construct 45 new housing units in a low- to moderate-income area of Louisville, KY. NCCDC will provide a \$1 million investment in this \$2.9 million project.

Since 1982, NCCDC has invested in projects that totaled \$18 million, with NCCDC's equity portion at \$2 million and tax credit portion at \$16 million. These projects have financed 1,467 housing units.

NCBKY was one of the initial equity investors in the Louisville Community Development Bank (LCDB.) The LCDB was organized to stimulate small-business expansion, increase home ownership, improve the quality and value of local real estate, improve the quality and number of goods and services available locally, and link neighborhood residents to employment opportunities. The bank will focus its lending and banking services on several low- and moderate-income areas of downtown Louisville. NCBKY's investment of \$250 thousand was a major portion of the LCDB's initial \$10 million equity pool.

NCBKY, through its affiliate in Cleveland, is an active user of the Federal Home Loan Bank of Cincinnati's "Community Investment and Affordable Housing Programs." During 1995 and 1996, in conjunction with these programs, NCBKY facilitated nine loans and grants for \$2.3 million. These loans and grants provided funds for housing needs in low- and moderate-income areas, and provided operating funds for the organizations.

During 1996, NCBKY was awarded a \$37,500 grant from the Treasury Department under the Bank Enterprise Award Program. This program is designed to encourage banks to invest in and support community development financial institutions, and to increase their lending and services in distressed communities.

Also during the review period, NCBKY contributed approximately \$294 thousand to a variety of organizations that promoted community development within each of its local communities. These organizations specifically support local development, provide social services to low- and moderate-income areas, and assist low- and moderate-income individuals with housing needs.

Assessment Factor K - *The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.*

- **There are no financial impediments which inhibit NCBKY's efforts to help meet the credit needs of its delineated community.**

NCBKY participates in CRA activities commensurate with its size and financial capacity. The Community and Bank profiles detailed earlier provide further information on the financial trends of the institution and the local economy.

Assessment Factor L - *Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.*

- **NCBKY routinely participates in other activities which help to meet community needs.**

The bank participates on numerous boards and committees which work with local low- and moderate-income groups to provide social services and help provide credit counseling.

The CRA Officer has developed and conducted seminars for area Community Development Corporations on housing needs and ways to improve the housing stock.

In the Louisville area, NCBKY offered a financial assistance program for community members who were affected by the recent flood. The areas most affected by the flood were low- and moderate-income census tracts. NCBKY responded immediately to community needs by offering free services, reduced loan rates, after hours personal appointments with branch personnel, financial counseling, and extended hours at selected branches.

Another product developed by NCBKY to serve community credit needs is the Credit Builder loan program. This program is designed to help community members establish new credit or repair damaged credit.