



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 Southern Indiana
Charter Number 21723
P. O. Box 1247
New Albany, Indiana 47151-1247

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 Southern Indiana** 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 Authority
FmHA	-	Farmers Home Administration
HMDA	-	Home Mortgage Disclosure Act
MSA	-	Metropolitan Statistical Area
NCBSI	-	National City Bank of Southern Indiana
NCC	-	National City Corporation
NCCDC	-	National City Community Development Corporation
SBA	-	U.S. Small Business Administration
VA	-	Veterans 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 - The bank's previous Public Disclosure is dated February 23, 1996. The current disclosure evaluates the bank's performance from February 24, 1996 through December 31, 1996. Throughout this evaluation we have included information from 1995 for comparative purposes.

National City Bank of Southern Indiana (NCBSI) 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, for the community development activities discussed in this evaluation.

Bank Profile - National City Bank of Southern Indiana (NCBSI), located in New Albany, Indiana, 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.

NCBSI's primary lending focus is retail. Its loan to deposit ratio is 105% as of December 31, 1996. This is substantially higher than the peer bank average ratio of 75%.

Table 1 shows pertinent financial information for the period under review.

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

	1995	1996
Average Assets	\$289	\$301
Net Income	\$3.5	\$4.6
Return on Average Assets	1.19%	1.53%

Source: Consolidated Report of Income and Condition

Community Profile - NCBSI delineates its local community based on geographical boundaries and branch locations. As of December 31, 1996, the community delineation includes all of Clark, Floyd and Harrison counties which are within the Louisville, KY-IN Metropolitan Statistical Area (MSA) #4520, and all of Washington County, which is not in an MSA.

As of the 1990 census, median family income for the area is \$30,809. The delineated community consists of 51 census tracts, as follows:

Table 2. Census Tract Characteristics

	Number of Tracts	% of Total Tracts	% of Total Population	# of Housing Units
Low- and Moderate-income (< 80% of Median)	14	27	20	18,470
Middle-income (80% to 120%)	29	57	63	50,581
Upper-income (>120%)	7	14	17	12,476
NA	1	2	<1	

Source: 1990 U.S. Census, MSA demographics

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

Table 3. Demographic Information for NCBSI's Delineated Community

	Totals
Population	205,788
# housing units	81,527
# occupied housing units	76,659
# owner-occupied housing units	56,039

Source: 1990 U.S. Census, MSA demographics

The table shows that NCBSI's delineated community includes a substantial level (94%) of occupied housing units and a moderate level (68%) of owner-occupied housing units.

Unemployment rate for the MSA (3%) is lower than the State of Indiana rate (5%). Dominant industries include small-to-medium size manufacturing plants with products ranging from chemicals and explosives to wholesale foods. The largest single employer is the U.S. Census Bureau. Washington County is primarily a rural, farming area with no large manufacturing or industrial operations.

Competition is primarily provided by two community banks and affiliates of three regional banking companies.

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.*

- **NCBSI has established an effective program of outreach to its local communities, which enables it to be aware of credit needs on an ongoing basis.**

NCBSI maintains a strong program for ascertaining the community credit needs, including the needs of low- and moderate-income individuals. The ascertainment program involves a calling program, ongoing communication with community groups, and periodic surveys.

The key element of the ascertainment process is an officer calling program, which also involves the Board of Directors. Two outreach officers make calls to businesses and community groups covering the four counties in the assessment area. Management pursues contacts with a variety of government officials and redevelopment organizations dedicated to housing interests. Meetings with officials of local development groups aid in determining credit and financial service needs, especially needs involving home purchase and home improvement products.

NCBSI directors and employees are involved in a variety of civic and business organizations, which allows for ongoing communication in evaluating the credit needs of the community. Contacts include but are not limited to: Mayors' Office of New Albany and Jeffersonville, Harrison County Chamber of Commerce, New Albany Redevelopment Commission, New Directions Housing Corp (KY), and Hoosier Valley Economic Opportunity Corporation.

Through its ascertainment efforts, NCBSI identified that the community's primary credit needs are affordable housing, small business and agricultural lending. NCBSI has addressed these needs through the offering of the EasyStart home purchase product and various government-sponsored programs.

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 exists. This program includes policy statements, goals and objectives for each portion of the service area, and defines the duties of the CRA Officer. An effective, annual self-assessment process is in place. The Board and senior management are apprised of the CRA program on an ongoing basis through periodic reports and the self-assessment program.

The Board of Directors has adopted the CRA policy developed by NCC. This policy is customized to create the bank's CRA program. The Board and senior management are actively involved in the development of the CRA program through their respective committees; the Board Public Policy Committee and the Management Public Policy Committee. Both committees provide active oversight of the CRA program. The CRA program is reviewed and adopted by the full Board of Directors on an annual basis.

NCBSI is in compliance with the technical requirements of CRA. The current CRA statement was approved by the Board of Directors in December 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.*

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

NCBSI develops a formal marketing plan annually. The plan is designed to promote products tailored to meet the particular credit needs ascertained in the community. The bank uses a variety of media sources to ensure community awareness of loan and deposit products.

Primary vehicles used in advertising efforts include: targeted advertisements; involvement in housing expos and community events; direct mailings to realtors, consumers, and small businesses; small business seminars and networking events; and the small business call program.

Marketing is done through the traditional media of newspaper, radio, magazines, publications, television, outdoor, as well as a network of community groups & realtors. Media selection is designed to inform the entire community and does not exclude any low- or moderate-income

areas. Both image and targeted methods are used to market products and services throughout the community. Additionally, products are also marketed through NCBSI's branch network and by alternative delivery vehicles such as Direct Link telephone banking program.

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

- **NCBSI'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.**

NCBSI offers a variety of consumer and commercial loan products to meet 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

Tables 4, 5, 6, and 7 illustrate the level of loan originations for various types of loans for the past two years.

Table 4 below shows the mortgage loan activity generated by NCBSI. Eighty-six percent of these loans were made to borrowers living within the delineated community. This table includes the EasyStart loans and the various government-sponsored loans that are detailed elsewhere within this report. Table 4 also indicates that there was a 21% increase in the dollar amount of loans originated between 1995 and 1996. Based on 1995 HMDA data, NCBSI is the number one lender of housing-related loans (number of loans) to low- and moderate- income census tracts in the delineated community.

Table 4. Housing-Related Loan Originations

	1995		1996	
	#	\$(millions)	#	\$(millions)
Mortgage	545	\$26	552	\$31
Home Improvement	245	\$2	198	\$3
Total	790	\$28	750	\$34

Source: Internal Bank Reports

EasyStart is the bank's affordable home purchase mortgage program. EasyStart applicants must meet certain income limitations. Benefits of this program are smaller down payment, lower interest rate, and flexible approval guidelines.

Table 5. Easy Start Loan Originations

	# of loans	\$(thousands)
1995	57	\$2,402
1996	7	\$368

Source: Internal Bank Reports

Due to increasing delinquency rates in the Easy Start portfolio, the program was suspended in early 1996, as reflected in the numbers shown above. The need for affordable housing loans was met by originating a substantial number of government-sponsored loans in 1996. (See FHA/VA loan originations in Assessment Factor J.) The Easy Start product has been modified, and was reintroduced in early 1997.

NCBSI offers two special instalment loan products. The Fixer Upper loan is designed to finance small home improvements. This flexible product is available to borrowers living within designated targeted areas or to families meeting certain income levels. The Credit Builder loan is a combination deposit-loan product designed to help individuals build or rebuild credit. NCBSI does not specifically monitor originations of these two products. Fixer Upper loans are included in the total of home improvement loans shown elsewhere within this report. Credit Builder loans are included in consumer loan totals.

Substantially all of the commercial loans originated by NCBSI are to small businesses or small farms. Small businesses and small farms are generally defined as those with annual revenues of less than one million dollars. Table 6 below shows the breakdown of small commercial loans originated by NCBSI in 1996. These numbers were not available in 1995. The table indicates that approximately 67% of all new commercial loans were for amounts of less than \$100,000; the average loan size was \$123,000. Virtually all of these loans were made to businesses located within NCBSI's delineated community. This demonstrates the fact that the bank is making small loans to small businesses.

Table 6. 1996 Small Business Loans

Loan Amounts	# of loans	\$(000)
<\$100,000	234	\$ 8,475
>\$100,000 & <= \$250,000	64	\$ 11,464
>\$250,000	50	\$ 22,847
Total	348	\$42,786

Source: Internal Bank Reports

Farm and agricultural loans are also a need of the community. As with the table above, the following table shows the bank is making small loans to small businesses. a significant commitment by NCBSI to meet this need. Approximately 10% of commercial loans are represented by loans to small farms.

Table 7. 1996 Small Farm Loans

Loan Amounts	# of loans	\$(000)
<\$100,000	96	\$2,261
>\$100,000 & <= \$250,000	12	\$1,920
>\$250,000	0	0
Total	108	\$4,181

Source: Internal Bank Reports

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

- **NCBSI's participation in housing-related government programs is strong.**

During the review period, the bank made one loan that was guaranteed by the U. S. Small Business Administration (SBA). It was actively involved in originating home loans in conjunction with the Federal Housing Authority (FHA), the Veterans Administration (VA), and the Farmers Home Administration (FmHA). The table shows that government programs were used extensively during 1996 to meet the need for affordable housing. The housing-related government loan originations are included in the total housing-related originations noted in Table 4, and represent approximately 11% of that total.

Table 8. Government Loan Originations

Government. Program	1995		1996	
	# & \$(000) of Loans		# & \$(000) of Loans	
SBA	0	\$0	1	\$1,826
FHA	5	220	28	579
VA	13	669	8	534
FmHA	2	90	27	1,462
Total	20	\$979	64	\$4,401

Source: Internal Bank Reports

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

NCBSI'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 NCBSI's credit extensions, credit applications, and denials is good. NCBSI 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 MSA's. Our market share analysis is based on the number of applications received and loans originated by over 100 providers of mortgage products within the Louisville, KY-IN MSA. Census tract characteristics were identified under the Community Profile section of this report.

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.

Our market share analysis focuses on 1995. Comparable information for 1996 is not yet available. The table below shows that NCBSI's overall market share of all loans within low- and moderate-income census tracts was comparable to its overall market share.

**Table 9. 1995 Market Share by Tract Characteristics
MSA 4520**

	Low/Mod	Mid	Upper	Total
Purchase Money Applications	4.76	3.16	4.71	4.06
Purchase Money Loans	5.29	3.63	5.54	4.28
Home Improvement Applications	12.35	10.52	9.24	12.94
Home Improvement Loans	12.05	11.06	18.97	12.31
Total Applications	6.53	6.29	9.16	6.88
Total Loans	6.26*	5.54	8.33*	6.59*

Source: HMDA-LAR

*NCBSI is the number one lender in these categories.

Also considered in this evaluation is the total number of HMDA-reportable loans that NCBSI originated within various census tracts and to borrowers of various income levels. In 1995, this distribution was available only for loans originated within MSAs. NCBSI originated an additional 416 loans in its delineated community, but outside of MSA 4520 in 1995, which are not included in the analysis below. The 1996 tables include all of the delineated community.

The following tables show a significant level of loan distribution across both census tracts and the income levels of borrowers. Income levels of borrowers and families are irrespective of where they live within the community. Table 12 indicates that the bank is doing an excellent job penetrating the low/mod areas as 30% of HMDA reportable loans were originated in these areas when it accounts for only 23% of the housing units available. Table 13 shows the bank is generally meeting the needs of low/mod borrowers as 28% of the HMDA reportable loans were made to these individuals, 40% of the families are considered to be low/mod.

Table 10. 1995 Loan Originations by Tract Characteristics

	Low/Mod	Mid	Upper	Total
Number of Loans	59	209	106	374
% of Loans Originated	16%	56%	28%	
% of Total Tracts	27%	57%	14%	

	Low/Mod	Mid	Upper	Total
% of Housing Units	23%	62%	15%	

Source: HMDA-LAR

Table 11. 1995 Loan Originations by Borrower Income Characteristics

	Low/Mod	Mid	Upper	NA*	Total
Number of Loans	149	91	126	8	374
% of Loans Originated	40%	24%	34%	2%	
% of Families	40%	24%	36%	0%	

Source: HMDA-LAR

*Income not available

Table 12. 1996 Loan Originations by Tract Characteristics

	Low/Mod	Mid	Upper	Total
Number of Loans	190	337	115	642
% of Loans Originated	30%	52%	18%	
% of Total Tracts	27%	57%	14%	
% of Housing Units	23%	62%	15%	

Source: HMDA-LAR

Table 13. 1996 Loan Originations by Borrower Income Characteristics

	Low/Mod	Mid	Upper	NA*	Total
Number of Loans	178	189	262	13	642
% of Loans Originated	28%	29%	41%	2%	
% of Families	40%	24%	36%	0%	

Source: HMDA-LAR

*Income not available

NCBSI performs a distribution analysis of its consumer deposit and loan portfolios among various census tracts. The following table shows the results of the distribution analysis for 1996. This analysis represents 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. Table 14 shows that the distribution of loans is comparable to the distribution of deposits.

Table 14. 1996 Distribution Analysis by Tract Characteristics

	Low/Mod		Mid		Upper	
	#	%	#	%	#	%
CONSUMER DEPOSITS	7,096	20%	18,969	52%	10,215	28%
Consumer Mortgage Loans	289	19%	924	60%	325	21%
Other Consumer Loans	1,640	17%	6,036	60%	2,343	23%
TOTAL CONSUMER LOANS	1,929	17%	6,960	60%	2,668	23%

Source: Internal Bank Reports

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

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

NCBSI has 12 full service offices located throughout the community. Nine of these offices have Automated Teller Machines (ATM) and drive-in service. There are three freestanding ATM stations and one drive-in only facility. Five offices are 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 no offices were opened or closed.

NCBSI offers a low-cost lifeline checking product for customers with limited banking needs. As of December 31, 1996, NCBSI had 2,588 of these accounts opened, with average balances of \$423. Twenty-one 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).*

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

NCBSI affirmatively solicits credit applications from all segments of its community, including low- and moderate-income areas. Policies, procedures and training promote fair lending. NCBSI's policy on nondiscrimination in lending states that NCBSI 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. NCBSI has implemented procedures, such as second review, in order to detect and address potential discriminatory practices.

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

- **NCBSI 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 Equal Credit Opportunity Act and the Fair Housing Act. We performed a review of direct home improvement loan applications, testing for illegal discrimination based on the gender of the applicant. We compared a sample of denied applications from female applicants to a sample of approved applications from male applicants, testing for non-discriminatory application of the bank's credit scoring system. All of the loan applications were received by NCBSI 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.*

- **NCBSI routinely participates in community development through its community development affiliate, NCCDC, and through contributions to various community development organizations.**

During 1996, NCCDC financed the development of an affordable housing subdivision in Clark County. The total cost of the project is \$5,000,000. NCCDC's equity investment is \$350,000. The homes in the development will sell for \$70,000 - \$95,000.

During the review period, NCBSI contributed approximately \$21,500 to a variety of organizations that promoted community development within the local community. Some of these contributions include:

- \$7,500 to the Salvation Army to assist in the construction of a new facility that will support low- and moderate-income and homeless individuals.
- \$1,000 to the Fair Housing Center. This organization is dedicated to the development and rehabilitation of affordable housing.
- \$1,000 to New Directions Housing Corporation. This company is dedicated to the safe housing of all individuals, with a specific concentration on low- and moderate-income senior or disabled individuals.
- \$3,000 to the New Albany Floyd County Public Library. These funds paid for a summer reading program which was attended by young students living in the low- and moderate-income neighborhood where the library is located.
- \$5,000 of a \$15,000 commitment to the Floyd Memorial Hospital. These funds were used to develop a Wellness program directed toward the health needs of the low- and moderate-income population in Floyd County.

***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 NCBSI's efforts to help meet the credit needs of its delineated community.**

NCBSI 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.*

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

NCBSI participates, on a rotating basis, with other institutions in the area to provide First Time Home Buyer's Training and Counseling in cooperation with the Redevelopment Commission in New Albany.

NCBSI has conducted seminars on housing for low- and moderate-income individuals. The seminars include instruction and training on programs such as Indiana Housing Authority, FmHA, FHA, and VA lending.