



## **PUBLIC DISCLOSURE**

**January 25, 1999**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The National City Bank of Evansville  
Charter Number 12132**

**227 Main Street  
Evansville, Indiana 47708**

**Office of the Comptroller of the Currency  
Evansville Field Office  
101 N.W. 1st Street, Suite 207  
Evansville, Indiana 47708-0130**

**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.**

## TABLE OF CONTENTS

I. General Information. . . . .	01
II. Institution	
a. Overall Rating. . . . .	01
b. Lending, Investment, and Service Test Table. . . . .	02
c. Description of Institution. . . . .	02
d. Description of Assessment Areas. . . . .	03
e. Conclusions with Respect to Performance Tests. . . . .	08
III. Evansville - Henderson Metropolitan Statistical Area (Posey, Warrick, and Vanderburgh) . . . . .	18
IV. Appendix	
a. Definition of Terms . . . . .	21

# GENERAL INFORMATION

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

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

NCB received a rating of "satisfactory" at the last CRA examination dated February 7, 1997. This examination covers NCB's performance from January 1, 1997 to January 25, 1999. See the Appendix of this report for a definition of terms used within this public evaluation.

## INSTITUTION

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

The following are the primary factors supporting NCB's performance under the Lending, Investment, and Service tests.

### **Lending Test**

- NCB's geographic distribution of small business, small farm, and Home Mortgage Disclosure Act (HMDA) loans was adequate. Its distribution of loans to borrowers of different income levels and businesses of different sizes also reflected adequate performance. NCB has generated an adequate level of community development loans in response to community needs. A substantial majority of loans were made within the bank's assessment areas.

### **Investment Test**

- NCB has made a good level of qualified investments in response to community needs.



## Service Test

- Delivery systems are reasonably accessible to geographies and individuals of different income levels. The bank has provided a limited level of community development services.

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

Performance Levels	The National City Bank of Evansville Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory		X	
Low satisfactory	X		X
Needs to improve			
Substantial noncompliance			

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

## DESCRIPTION OF INSTITUTION

NCB is a \$865 million bank owned by National City Bancshares, Inc. (NCBE), which is headquartered in Evansville, Indiana. Total assets of the holding company were \$2.2 billion as of December 31, 1998. NCBE owns other banks in Illinois, Indiana, and Kentucky.

NCB is a full service financial institution with a primary focus on residential real estate, commercial, commercial real estate, and consumer lending. NCB focuses on agricultural lending in Gibson County, but not in Posey, Vanderburgh, and Warrick counties.

There are no impediments that would hamper the bank's ability to help meet the credit needs of its assessment areas. NCB's capacity to serve community credit needs is strong. Table 1 depicts several key balance sheet figures.

<b>Table 1</b>			
<b>Balance Sheet as of December 31, 1998</b>			
Net Loans	\$661,000,000	Total Deposits	\$648,000,000
Investments	128,000,000	Other Liabilities	143,000,000
Other Assets	76,000,000	Total Liabilities	791,000,000
		Total Equity Capital	74,000,000
Total Assets	\$865,000,000	Total Liabilities and Capital	\$865,000,000

Source: FFIEC Report of Condition

The loan portfolio is comprised of commercial and commercial real estate (48%), residential real estate (30%), consumer (14%), agricultural (5%), and other (3%) loans.

During the second half of 1998, NCB merged with four banks that were subsidiaries of NCBE. A listing of these banks and merger dates are detailed below.

<b><u>Name of Institution</u></b>	<b><u>City, State</u></b>	<b><u>Date of Merger</u></b>
Peoples National Bank of Grayville	Grayville, Illinois	August 8, 1998
Lincolmland Bank	Dale, Indiana	October 16, 1998
Pike County Bank	Petersburg, Indiana	November 8, 1998
Alliance Bank	Vincennes, Indiana	November 13, 1998

## **DESCRIPTION OF ASSESSMENT AREAS**

As of January 25, 1999, NCB's assessment areas consisted of a portion of the Evansville - Henderson Metropolitan Statistical Area (MSA) (i.e. Vanderburgh, Warrick, and Posey counties, in Indiana), five non-MSA Indiana counties (Daviess, Gibson, Knox, Pike, and Spencer counties), and a portion of three non-MSA Illinois counties. The assessment areas in Illinois consist of block numbering areas (BNA) 9570, 9572, and 9582 in Edwards, Wabash, and White counties, respectively.

Our analysis of NCB's performance will only consider pre-merger data since the above four banks were not subject to HMDA or CRA data collection requirements. Therefore, this evaluation will cover NCB's performance for two "assessment areas", hereafter referred to as "assessment areas".

Vanderburgh, Warrick, and Posey counties comprise the larger assessment area, hereafter referred to as MSA 2440. The second assessment area is Gibson County, Indiana. NCB operates eleven full-

service branches within these two assessment areas.

The city of Evansville (Vanderburgh County) is located in the southwest corner of Indiana on the Kentucky State line and approximately 25 miles from the Illinois State line. Major industries within MSA 2440 consist of manufacturing, industrial, and retail trade. A major industry in Gibson County is agriculture. The Toyota manufacturing plant also provides a significant number of jobs to local residents.

Tables 2 through 6 detail pertinent information concerning NCB and demographic data that was used in connection with our review of NCB's CRA performance. Information in the tables is separated by assessment area.

Table 2, detailing NCB's assessment areas, illustrates that the Evansville - Henderson MSA (excluding Henderson County, Kentucky) is the larger of the two assessment areas as measured by population, number of branches, and total deposits.

<b>Table 2 NCB's Assessment Areas</b>				
<b>Assessment Areas</b>	<b>Population</b>	<b>Number of Branches</b>	<b>Total Deposits as of 6/30/98 (\$Millions)</b>	<b>Deposit Market Share and Ranking<sup>1</sup> by Assessment Area</b>
MSA 2440	235,946	9	\$330	Mkt. Share: 9% Ranking: 3rd
Gibson County	31,913	2	35	Mkt. Share: 9% Ranking: 4th
Total	267,859	11	\$365	

Source: 1990 Census Data - U.S. Bureau of the Census, Federal Deposit Insurance Corporation and Office of Thrift Supervision's Summary of Deposits Internet Site, and bank provided information

Competition is strong. Approximately fifteen deposit-taking financial institutions have branch offices within NCB's assessment areas. NCB is the third largest financial institution in MSA 2440 and the fourth largest institution in Gibson County based on deposit market share data as of June 30, 1998. NCB's primary competition includes The Citizens National Bank of Evansville, Old National Bank in Evansville, and Permanent Federal Savings Bank.

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

Table 3 reflects the number of low-, moderate-, middle-, and upper-income geographies by income level. The assessment areas are comprised of seventy-five geographies. According to 1990 census information, 3 (4%) of the geographies are low-income, 21 (28%) are moderate-income, 32 (43%) are middle-income, 18 (24%) are upper-income, and 1 (1%) lacks sufficient population to be assigned an income level. The three low-income geographies are located in Vanderburgh County. As a whole, the assessment areas consist of 5% of total Indiana geographies and 5% of the state's population.

<b>Table 3 Distribution of Geographies by Assessment Area</b>						
<b>Assessment Areas</b>	<b>Number of Geographies</b>					
	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>N.A.</b>	<b>Total</b>
MSA 2440	3	21	27	18	1	70
Gibson County	0	0	5	0	0	5
Total	3	21	32	18	1	75

Source: 1990 Census Data - U.S. Bureau of the Census

Table 4 depicts the number and percentage of families within NCB's assessment areas based on their income level. NCB's assessment areas have approximately 74,000 families, of which 18% are low-income, 18% are moderate-income, 24% are middle-income, and 40% are upper-income. This information was used to evaluate NCB's lending of residential real estate loans to borrowers of different income levels. As of 1998, the MSA median family income was \$43,700. The statewide-adjusted non-MSA median family income was \$41,100.

<b>Table 4 Distribution of Families by Income Level</b>				
<b>Assessment Areas</b>	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>
MSA 2440	11,746	11,987	15,555	25,749
Gibson County	1,481	1,600	2,203	3,651
Total	13,227	13,587	17,758	29,400

Source: 1990 Census Data - U.S. Bureau of the Census

Table 5 details the number and percentage of owner occupied housing units located in the four geographic income categories. The table reveals 1% and 18% of the units are located in low- and moderate-income geographies, respectively. There are only 534 owner occupied housing units located in low-income geographies. Consequently, the opportunity for originating residential real estate loans in the three low-income geographies is significantly less than the moderate- middle-, or upper-income geographies.

<b>Table 5 Geographic Distribution of Owner Occupied Housing Units</b>				
<b>Assessment Areas</b>	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>
MSA 2440	534	13,325	25,520	24,458
Gibson County	0	0	9,672	0
<b>Total</b>	<b>534</b>	<b>13,325</b>	<b>35,192</b>	<b>24,458</b>

Source: 1990 Census Data - U.S. Bureau of the Census

Table 6 provides information on the number and percentage of businesses and farms by geographic income level. There are 8,885 businesses, including 6,245 (70%) small businesses (revenues less than or equal to \$1,000,000), within NCB's assessment areas. The assessment areas also have 238 farms, including 221 (93%) small farms (revenues less than \$1,000,000). This information was used to evaluate NCB's geographic distribution of small business and farm loans.

<b>Table 6 Number and Percentage of Businesses and Farms Based Upon Geographic Income Level</b>											
<b>Assessment Areas</b>	<b>Low-Income</b>		<b>Moderate-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>		<b>Total</b>		
	<b>Businesses</b>	<b>Farms</b>	<b>Businesses</b>	<b>Farms</b>	<b>Businesses</b>	<b>Farms</b>	<b>Businesses</b>	<b>Farms</b>	<b>Businesses</b>	<b>Farms</b>	
MSA 2440	204	2	2,000	21	3,737	78	1,984	73	7,925	174	
Gibson County	0	0	0	0	960	64	0	0	960	64	
<b>Total</b>	<b>#</b>	204	2	2,000	21	4,697	142	1,984	73	8,885	238
	<b>%</b>	2%	<1%	23%	9%	53%	60%	22%	31%	100%	100%

Source: Dun & Bradstreet, Inc.

The credit related needs in the bank's assessment areas include the following.

- C Affordable housing (i.e. single family rental, multifamily rental, home ownership, and rehabilitation) for low- and moderate-income individuals. Public and rental assisted housing were also identified as needs.
- C Economic development loans to new or existing businesses that supply jobs to low- and moderate-income individuals.
- C Small consumer loans, with loan amounts of \$1,000 or less.

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

Opportunities for qualified investments, community development loans, and community development services do exist within the bank's assessment areas. These opportunities include low-income housing tax credits, revenue bonds for affordable housing, nonprofit housing organizations, credit counseling agencies, and community development corporations (CDCs).

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Lending Test

In assessing NCB's lending performance, we focused our review on small business, small farm, and HMDA loans.

### Assessment Area Concentration

Table 7 indicates a majority of NCB's loans were made within its assessment areas. In 1997 and 1998, 93% and 90%, respectively, of all loans were originated within the bank's assessment areas.

Table - 7 Ratio of Loans Inside the Bank's Assessment Areas (AA)								
	Small Business		Small Farm		HMDA		Total	
	1997	1998	1997	1998	1997	1998	1997	1998
Number								
# of Loans Inside AA	218	550	45	34	472	753	735	1,337
% of Loans Inside AA	90%	89%	100%	52%	93%	94%	93%	90%
Dollars (000's)								
\$ of Loans Inside AA	\$24,452	\$71,996	\$2,813	\$3,000	\$36,178	\$61,877	\$63,443	\$136,873
% of Loans Inside AA	86%	81%	100%	67%	95%	94%	91%	86%

Source: HMDA Loan Application Registers and Small Business and Small Farm Loan Data Collection Registers

### Lending Activity

Loans originated during the evaluation period reflected a responsiveness to identified credit needs. The bank has originated small business, affordable housing, and community development loans. NCB's market share of reported 1997 small business - small farm and HMDA loans was 1% and 5%, respectively. This performance was adequate given NCB's size and strong competition from other financial institutions. The significant increase in the number of HMDA loans in 1998 versus 1997 was primarily attributed to a substantial increase in the number of refinances resulting from lower interest rates. Bank management stated the substantial increase in the number of small business loans was a direct result of hiring additional commercial loan officers.

## Geographic Distribution of Loans

NCB's geographic distribution of small business, small farm, and HMDA loans reflected adequate penetration throughout low- and moderate-income geographies. We did not identify any conspicuous gaps in the penetration of geographies within the bank's assessment areas.

Table 8 compares the bank's level of small business loans with the proportionate number of businesses operating in the type of geography. In 1997 and 1998, 1% of NCB's loans were originated in low-income geographies. The penetration was adequate when compared to the percentage of businesses located in low-income (2%) geographies and the aggregate market's distribution of small business loans in low-income (1%) geographies. In 1997, 33% of NCB's loans were made in moderate-income geographies. This penetration was satisfactory given the percentage of businesses located in moderate-income (23%) geographies and the aggregate market's distribution of loans in moderate-income (20%) geographies. In 1998, NCB increased the number of loans made in moderate-income geographies, although the percentage of loans made in these geographies declined to 15%. This level of performance was sufficient.

<b>Table - 8</b>									
<b>Geographic Distribution of Small Business Loans</b>									
<b>All Assessment Areas</b>									
<b>Tract Income Level</b>	<b>% of Businesses by Location</b>	<b>1997</b>				<b>1998</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>
Low-Income	2%	3	1%	\$197	1%	6	1%	\$506	1%
Moderate-Income	23%	71	33%	9,412	38%	81	15%	9,918	14%
Middle-Income	53%	90	41%	8,204	34%	245	44%	32,023	44%
Upper-Income	22%	54	25%	6,639	27%	218	40%	29,549	41%
<b>Total</b>	<b>100%</b>	<b>218</b>	<b>100%</b>	<b>\$24,452</b>	<b>100%</b>	<b>550</b>	<b>100%</b>	<b>\$71,996</b>	<b>100%</b>

Source: Dun & Bradstreet, Inc. and Small Business Loan Data Collection Registers

Table 9 compares NCB's market share and ranking of small business and small farm loans in all income geographies to its market share in low-, moderate-, middle-, and upper-income geographies. In 1997, NCB's market share of small business and small farm loans in low- (4%) and moderate- (3%) income geographies was greater than its market share in all (1%) income geographies. This data, combined, with data in Table 8, indicates NCB has an adequate record of meeting the credit needs of small businesses and small farms in low- and moderate-income geographies.

<b>Table - 9</b> <b>1997 Market Share and Ranking of Small Business and Small Farm Loans</b> <b>All Assessment Areas</b>		
Tract Income Level	Market Share Percentage	Market Share Ranking
Low-Income	4%	7th
Moderate-Income	3%	9th
Middle-Income	1%	38th
Upper-Income	2%	21st
All Geographies	1%	29th

Source: 1997 Small Business and Small Farm Loan Data Collection Registers

Table 10 compares the bank's level of small farm loans with the proportionate number of farms operating in the type of geography. In 1997 and 1998, NCB did not originate any farm loans in low- or moderate-income geographies. This is not a concern given available demographic data indicates only twenty-three farms are located in low- and moderate-income geographies. Additionally, NCB does not focus on agricultural lending in Posey, Vanderburgh, and Warrick counties. The bank does specialize in agricultural lending in Gibson County. However, there are no low- or moderate-income geographies in this county.

<b>Table - 10</b> <b>Geographic Distribution of Small Farm Loans</b> <b>All Assessment Areas</b>									
Tract Income Level	% of Farms by Location	1997				1998			
		#	%	\$ (000's)	%	#	%	\$ (000's)	%
Low-Income	<1%	0	0%	\$0	0%	0	0%	\$0	0%
Moderate-Income	9%	0	0%	0	0%	0	0%	0	0%
Middle-Income	60%	45	100%	2,813	100%	32	94%	2,905	97%
Upper-Income	31%	0	0%	0	0%	2	6%	95	3%
Total	100%	45	100%	\$2,813	100%	34	100%	3,000	100%

Source: Dun & Bradstreet, Inc. and Small Farm Loan Data Collection Registers

Table 11 compares the bank's level of HMDA loans to the proportionate percentage of owner occupied housing units by type of geography. In 1997, only 1 HMDA loan was originated in low-income geographies. This penetration was low when compared to the percentage (1%) and number

(534) of owner occupied housing units in low-income geographies. NCB's performance was below the aggregate market's distribution of HMDA loans in low-income (1%) geographies. In 1998, NCB's distribution of loans in low-income geographies improved and was adequate. In 1997, 16% of NCB's loans were originated in moderate-income geographies. This penetration was adequate when compared to the percentage (18%) of owner occupied housing units in moderate-income geographies. The aggregate market's distribution of HMDA loans in moderate-income geographies was 19%. In 1998, a substantially smaller percentage (9%) of loans were made in moderate-income geographies than in 1997. This decline is mainly attributed to a greater increase in the number of refinances in middle- and upper-income geographies than in moderate-income geographies.

<b>Table - 11</b>										
<b>Distribution of HMDA Loans by Census Tract Income Designation</b>										
<b>All Assessment Areas</b>										
<b>Tract Income Level</b>	<b>Owner Occupied Housing by Tract</b>		<b>1997</b>				<b>1998</b>			
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>
Low-Income	534	1%	1	<1%	\$33	<1%	7	1%	\$250	<1%
Moderate- Income	13,325	18%	75	16%	2,897	8%	67	9%	3,067	5%
Middle-Income	35,192	48%	172	36%	10,623	29%	307	41%	20,949	34%
Upper-Income	24,458	33%	224	48%	22,625	63%	372	49%	37,611	61%
Total	73,509	100%	472	100%	\$36,178	100%	753	100%	\$61,877	100%

Source: 1990 Census Data - U.S. Bureau of the Census and HMDA Loan Application Registers

Table 12 compares NCB's market share and ranking of HMDA loans in all income geographies to its market share in low-, moderate-, middle, and upper-income geographies. In 1997, NCB's market share of HMDA loans in low- (1%) and moderate- (4%) income geographies was less than its market share in all (5%) income geographies. This data, combined, with data in Table 11, indicates NCB has an adequate record of meeting the housing needs of individuals residing in low- and moderate-income geographies.

<b>Table - 12</b> <b>1997 Market Share and Ranking of HMDA Loans</b> <b>All Assessment Areas</b>		
<b>Tract Income Level</b>	<b>Market Share Percentage</b>	<b>Market Share Ranking</b>
Low-Income	1%	23rd
Moderate-Income	4%	5th
Middle-Income	4%	5th
Upper-Income	5%	5th
All Income	5%	5th

Source: 1997 HMDA Loan Application Register

### **Loan Distribution by Borrower Income**

NCB's distribution of loans to businesses and farms of different sizes and borrowers of different income levels reflected satisfactory performance.

In 1997, 73% of NCB's small business and small farm loans were for amounts of \$100,000 or less. See Table 13. NCB's performance was lower than the aggregate market's percentage of 88%. In 1997, 59% of loans (or 154 loans) were made to businesses and farms that had gross revenues of less than \$1,000,000. While the volume of small business and farm loans increased, NCB's performance as a percentage of total originations declined in 1998. Overall, NCB has a satisfactory record of serving the credit needs of very small businesses and farms.

<b>Table - 13</b> <b>Distribution of Small Business and Small Farms Loans by Loan Size</b> <b>All Assessment Areas</b>								
<b>Loan Size</b>	<b>1997</b>				<b>1998</b>			
	<b>#</b>	<b>%</b>	<b>\$(000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000's)</b>	<b>%</b>
Less than \$100,000	193	73%	\$7,377	27%	381	65%	\$14,013	19%
Between \$100,000 and \$250,000	45	17%	7,985	29%	119	21%	20,361	27%
Greater than \$250,000	25	10%	11,903	44%	84	14%	40,622	54%
Total	263	100%	\$27,265	100%	584	100%	\$74,996	100%

Source: Small Business and Small Farm Loan Data Collection Registers

Table 14 compares NCB's HMDA lending to borrowers of different income levels to the proportionate number of families in each income level. In 1997, NCB originated 11% and 16% of HMDA loans to low- and moderate-income individuals, respectively. This distribution was adequate when compared to the percentage of low- (18%) and moderate- (18%) income borrowers within NCB's assessment areas and the poverty rate of 8%. In 1997, the aggregate market's distribution of HMDA loans to low- and moderate-income borrowers was 10% and 21%, respectively. In 1998, NCB increased the number of loans made to moderate-income individuals, although the percentage of loans made to this group of individuals declined to 14%. In 1998, NCB's distribution of loans to low-income individuals declined to 6%, a reduction in ten loans. However, this level of performance was still adequate.

<b>Table - 14</b>						
<b>Distribution of HMDA Loans by Borrower Income Level</b>						
<b>All Assessment Areas</b>						
<b>Borrower Income Level</b>	<b>Families in Assessment Area</b>		<b>1997</b>		<b>1998</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-Income	13,227	18%	51	11%	41	6%
Moderate-Income	13,587	18%	78	16%	105	14%
Middle-Income	17,758	24%	127	27%	191	25%
Upper-Income	29,400	40%	193	41%	383	51%
Not Available	0	0%	23	5%	33	4%
Total	73,972	100%	472	100%	753	100

Source: 1990 Census Data - U.S. Bureau of the Census and HMDA Loan Application Registers

Table 15 compares NCB's market share and ranking of HMDA loans to all borrowers versus its market share of loans to low-, moderate-, middle, and upper-income borrowers. In 1997, NCB's market share of HMDA loans to low- (5%) and moderate- (4%) income borrowers approximated its market share to all income borrowers. This data combined with data in Table 14 indicates NCB has an adequate record of meeting the housing needs of low- and moderate-income individuals.

<b>Table - 15</b> <b>1997 Market Share and Ranking of HMDA Loans</b> <b>All Assessment Areas</b>		
<b>Borrower Income Level</b>	<b>Market Share Percentage</b>	<b>Market Share Ranking</b>
Low-Income	5%	4th
Moderate-Income	4%	5th
Middle-Income	5%	7th
Upper-Income	5%	5th
All Borrowers	5%	5th

Source: 1997 HMDA Loan Application Register

### **Community Development Lending**

In NCB's assessment areas, the primary community development lending need was affordable housing for low- and moderate-income individuals. An additional need was economic development loans to new or existing businesses that supply jobs to low- and moderate-income individuals. Given available opportunities, NCB has originated an adequate level (\$37,080) of community development loans in response to community credit needs. A summary of these loans are detailed below.

- C Two loans (\$35,080) to a non-profit organization that provides transitional housing for low- and moderate-income women with substance abuse problems. Loan proceeds were used to fund general operating expenses of this organization located in Vanderburgh County.
- C One loan (\$2,000) to an economic development corporation that operates a small business micro lending program in Vanderburgh County. Loan proceeds were used to fund micro loans to small businesses.

### **Flexible Lending Practices**

NCB makes use of a flexible lending program to meet identified credit needs pertaining to affordable mortgage loans. A description of this loan program is detailed below.

- C NCB uses a proprietary affordable mortgage program to meet the affordable housing needs of low- and moderate-income individuals. Flexible underwriting criteria include more lenient debt-to-income ratios, no points, reduced down payment, and down payment assistance. In 1997 and 1998, 44 loans (\$2,078,000) were originated to low- and moderate-income individuals.

## **Investment Test**

In NCB's assessment areas, the primary need was affordable housing for low- and moderate- income individuals. NCB has exhibited a good responsiveness to this need by investing in two low-income housing tax credits. A summary of these two investments is detailed below.

- C NCB purchased approximately \$844,000 in low-income housing tax credits. These funds, combined with NCB's \$1.5 million in loans and funds from other sources, were used to construct and renovate a 252 unit two-bedroom apartment complex located in Evansville, Indiana.
- C NCB purchased approximately \$300,000 in low-income housing tax credits. These funds, combined with a \$60,000 grant from the Federal Home Loan Bank, were used to construct a 24 unit multi-family apartment complex for low- and moderate-income individuals residing in Oakland City, Indiana (Gibson County).

Additionally, NCB has contractually committed to invest approximately \$2.6 million in low-income housing tax credits that benefit low- and moderate-income individuals outside the bank's assessment areas. Approximately \$1.8 million has been paid, to date. These funds, combined with funds from other sources, will provide approximately 2,200 low-income housing units when all projects are completed.

NCB also contributed approximately \$10,000 to various organizations that provide social services or housing primarily for low- and moderate-income individuals.

## **Service Test**

### **Accessibility of Delivery Systems**

NCB's delivery systems are reasonably accessible to areas and individuals of different income levels. The bank currently operates eleven branch offices located in Posey (1), Vanderburgh (7), Warrick (1), and Gibson (2) counties. NCB has thirteen ATMs in Posey (2), Vanderburgh (8), Warrick (1), and Gibson (2) counties to augment the branch network.

Branch hours are reasonable and do not vary significantly among the different branches. NCB's core banking hours are from 9:00 AM to 4:30 PM, with most offices open until 6:00 PM on Fridays. All branch offices generally provide the same level of financial services with the exception of offices in Gibson County. The branches in Gibson County specialize in agricultural lending and offer loans for equipment, crops, livestock, land acquisition, and seasonal lines of credit. All branches, except the main office in downtown Evansville, are open on Saturdays until 12 noon.

Table 16 reflects NCB has a reasonable distribution of branches in moderate-income (18%) geographies when compared to the percentage of families (21%) and businesses (23%) located in these areas. Although NCB doesn't have any branches in low-income geographies, loan data from Tables 8 and 11 reflect NCB has an adequate distribution of HMDA and small business loans in low-income geographies.

Table - 16 Distribution of Branch Offices All Assessment Areas								
Tract Income Level	Census Tracts		Families		Businesses		Branches	
	#	%	#	%	#	%	#	%
Low-Income	3	4%	839	1%	204	2%	0	0%
Moderate-Income	21	28%	15,131	21%	2,000	23%	2	18%
Middle-Income	32	43%	34,226	46%	4,697	53%	8	73%
Upper-Income	18	24%	23,776	32%	1,984	22%	1	9%
Not Available	1	1%	0	0%	0	0%	0	0%
Total	75	100%	73,972	100%	8,885	100%	11	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

### Changes in Branch Locations

NCB's record of closing branch offices has not significantly affected the accessibility of its services to low-or moderate-income individuals. On July 19, 1997, NCB closed a branch office in an upper-income geography (census tract 38.01) in the city of Evansville. However, NCB maintains another branch office within two blocks of the closed branch. On July 21, 1997, NCB opened a new branch office in a middle-income geography (census tract 37.01) in the city of Evansville.

### Community Development Services

NCB has provided a limited level of community development services within its assessment areas. Community development services consisted of the following.

- C NCB operates a mini-branch office at the Stanley Hall Enrichment Center, an alternative high school located in Evansville, Indiana. Students may open a savings account, cash payroll checks, and obtain small loans in the range of \$25.

6 NCB operates a school savings program at the Lincoln Elementary School in Evansville, Indiana.

### **FAIR LENDING REVIEW**

During the examination we performed a review for gender discrimination by reviewing denied and approved refinance applications received during 1998. Our sample consisted of all denied applications to females and approved applications to males. We did not identify any violations of the substantive provisions of the anti-discrimination laws or regulations. NCB's fair lending policies and procedures are satisfactory.

**LOAN AND BRANCH DATA FOR  
EVANSVILLE - HENDERSON MSA 2440  
(POSEY, VANDERBURGH, AND WARRICK COUNTIES)**

Our review included a separate analysis of NCB's CRA performance in the Evansville - Henderson MSA. The bank's record of performance within the Evansville - Henderson MSA is not inconsistent with the overall ratings assigned to the bank. The following tables provide combined loan and branch distribution data for this MSA.

**Geographic Distribution of Loans**

<b>Table - 17 Geographic Distribution of Small Business Loans for NCB MSA 2440</b>									
<b>Tract Income Level</b>	<b>% of Businesses by Location</b>	<b>1997</b>				<b>1998</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>
Low-Income	3%	3	1%	\$197	1%	6	1%	\$506	1%
Moderate-Income	25%	71	33%	9,412	38%	81	16%	9,918	15%
Middle-Income	47%	90	41%	8,204	34%	200	40%	27,987	41%
Upper-Income	25%	54	25%	6,639	27%	218	43%	29,549	43%
<b>Total</b>	<b>100%</b>	<b>218</b>	<b>100%</b>	<b>\$24,452</b>	<b>100%</b>	<b>505</b>	<b>100%</b>	<b>\$67,960</b>	<b>100%</b>

Source: Dun & Bradstreet, Inc. and Small Business Loan Data Collection Registers

In 1997, the aggregate market's distribution of small business loans in low- and moderate-income geographies was 2% and 22%, respectively.

**Table - 18**  
**Distribution of HMDA Loans by Census Tract Income Designation for NCB**  
**MSA 2440**

Tract Income Level	Owner Occupied Housing by Tract		1997				1998			
	#	%	#	%	\$ (000's)	%	#	%	\$ (000's)	%
	Low-Income	534	1%	1	<1%	\$33	<1%	7	1%	\$250
Moderate- Income	13,325	21%	75	18%	2,897	9%	67	10%	3,067	6%
Middle-Income	25,520	40%	126	30%	7,631	23%	205	32%	13,782	25%
Upper-Income	24,458	38%	224	52%	22,625	68%	372	57%	37,611	69%
Total	63,837	100%	426	100%	\$33,186	100%	651	100%	\$54,710	100%

Source: 1990 Census Data - U.S. Bureau of the Census and HMDA Loan Application Registers

In 1997, the aggregate market's distribution of HMDA loans in low- and moderate-income geographies was 1% and 20%, respectively.

### Loan Distribution by Borrower Income

**Table - 19**  
**Distribution of HMDA Loans by Borrower Income Level for NCB**  
**MSA 2440**

Borrower Income Level	Families in Assessment Area		1997		1998	
	#	%	#	%	#	%
Low-Income	11,746	18%	50	12%	35	5%
Moderate-Income	11,987	18%	72	17%	89	14%
Middle-Income	15,555	24%	113	27%	161	25%
Upper-Income	25,749	40%	172	40%	337	52%
Not Available	0	0%	19	4%	29	4%
Total	65,037	100%	426	100%	651	100%

Source: 1990 Census Data - U.S. Bureau of the Census and HMDA Loan Application Registers

In 1997, the aggregate market's distribution of HMDA loans to low- and moderate-income borrowers was 10% and 21%, respectively.

### Distribution of Branch Offices

Table - 20 Distribution of Branch Offices for NCB MSA 2440								
Tract Income Level	Census Tracts		Families		Businesses		Branches	
	#	%	#	%	#	%	#	%
Low-Income	3	4%	839	1%	204	3%	0	0%
Moderate- Income	21	30%	15,131	23%	2,000	25%	2	22%
Middle- Income	27	39%	25,291	39%	3,737	47%	6	67%
Upper-Income	18	26%	23,776	37%	1,984	25%	1	11%
Not Available	1	1%	0	0%	0	0	0	0%
Total	70	100%	65,037	100%	7,925	100%	9	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

## APPENDIX

### Definition of Terms

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

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

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

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

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

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

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

**Small Business Loan** - A commercial loan with an original loan amount of \$1 million or less.

**Small Farm Loan** - A farm loan with an original loan amount of \$500,000 or less.