



**Comptroller of the Currency
Administrator of National Banks**

Central District
One Financial Place, Suite 2700
440 South LaSalle Street
Chicago, Illinois 60605

**COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION**

August 26, 1996

KeyBank National Association
Charter #14761
127 Public Square
Cleveland, OH 44114

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 **KeyBank National Association** 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 **August 26, 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.

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.

ABBREVIATIONS

The following abbreviations are used in this Public Evaluation:

KBNA	KeyBank National Association (f/k/a Society National Bank, Cleveland; Society National Bank, Indianapolis; and Society Bank and Trust, Ann Arbor)
KBUSA	KeyBank, USA, National Association (an affiliate of KBNA; a limited purpose bank for CRA purposes which underwrites and services educational loans, credit card loans, and indirect installment loans for the purposes of purchasing automobiles)
KCDC	Key Community Development Corporation, a wholly-owned subsidiary
KEY	KeyCorp, Inc. (The parent company of KBNA, KBUSA, and other financial affiliates located in various areas of the United States)
KMSI	Key Mortgage Services Inc.
ATM	Automatic Teller Machine
BNA	Block Numbering Area (A subdivision within a county having no census tracts for which demographic information is available)
CDBG	Community Development Block Grant (A federal grant available to improve some neighborhoods targeted for redevelopment)
CRA	Community Reinvestment Act (12 USC 2901, et.seq.) (12 CFR 25)
ECOA	Equal Credit Opportunity Act (15 USC 1691, et.seq.) (12 CFR 202)
ESIC	Enterprise Social Investment Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration (U.S. Department of Housing and Urban Development)
FmHA	Farmers Home Administration (U.S. Department of Agriculture)
FNMA	Federal National Mortgage Association
HMDA	Home Mortgage Disclosure Act (12 USC 2801, et.seq.) (12 CFR 203)
HUD	U. S. Department of Housing and Urban Development
LISC	Local Initiative Support Corporation
LMI	Low- and moderate-income (family income below 80% of the median family income for the MSA)
MI	Middle income (family income between 80% and 120% of the median family income for the MSA)
MSA	Metropolitan Statistical Area
OHFA	Ohio Housing Finance Agency
OSLC	Ohio Student Loan Commission
OLDP	Ohio Linked-Deposit Program
SBA	United States Small Business Administration
UI	Upper income (family income greater than 120% of the median family income for the MSA)
VA	Department of Veteran's Affairs (f/k/a Veteran's Administration)

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.

PROFILES

Evaluation Period - The three (3) banks that have merged to make KBNA have all received their most recent CRA evaluation at different times. Therefore, we are reviewing all activities in 1994, 1995, and to the date of this evaluation in 1996.

Significant Corporate Changes during the Evaluation Period - KBNA began operation at the close of business on June 14, 1996. KBNA resulted from the merger of two banks: Society National Bank, Cleveland, Ohio and the former KeyBank National Association. The KeyBank National Association referred to in the previous sentence was created through the merger of Society National Bank of Indiana, Indianapolis, and Society Bank and Trust, Ann Arbor, Michigan in January, 1996.

Another significant corporate change occurring during the examination period was the sale of KeyCorp Mortgage, Inc's (KMI) servicing portfolio of residential mortgages. KMI serviced approximately \$25,000,000,000 of residential mortgage loans. KEY continues to service commercial mortgages, originate residential mortgages through its banking franchises, and sell the rights to service residential mortgages through KMSI which is a subsidiary of KBNA.

Bank Profile -

On June 30, 1996, KBNA had total assets of approximately \$26,500,000,000 making it the largest bank headquartered in the State of Ohio. KBNA operates 431 offices in Ohio, Indiana, and Michigan. In Ohio, KBNA has branches throughout the state, except in the southeastern quarter. In Indiana, its branches are centered in the Indianapolis metropolitan area and in the north central and northeastern part of the State. In Michigan it has branches in the southeastern corner of the state and in the south central part of the state along the Michigan/Indiana border. KBNA's operations in the three states are divided into ten districts: Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Northwest Ohio (Toledo), Central Indiana, Northern Indiana, and Michigan. Additional detail concerning the branch network will be provided in *Assessment Factor G* and Appendices A, B, C, and D.

There are a large number of principal competitors for KBNA, depending on the market being reviewed. There are presently no other banks operating as one bank in the three states in which KBNA operates.

KBNA is a subsidiary of KeyCorp (KEY), a multi-bank holding company. Both KBNA and KEY are headquartered in Cleveland, Ohio. At year end 1995, KEY was the 14th largest bank holding company in the United States with total assets in excess of \$66,000,000,000. KEY owns and operates banks in 13 states.

Community Profile -

KBNA's delineated community includes approximately 43% of the population of the three states. The percentage of households below poverty levels and households on public assistance in the three states are similarly represented in KBNA's delineated community. Exhibits 1-4 describe KBNA's delineated community.

KBNA Delineated Community

Exhibit -1

Population						
	<i>Total Population</i>	<i>Population Over 65</i>	<i>Households below Poverty Level</i>	<i>Households on Public Assistance</i>	<i>Total Families</i>	<i>Total Households</i>
	11,155,040	1,388,258	487,793	316,196	2,967,033	4,229,583

Source: US Census Data from CRAWiz.

Exhibit - 2

Housing (000's)							
	<i>Owner-Occupied</i>	<i>Rental-Occupied</i>	<i>1-4 family units</i>	<i>Multi-Family Units</i>	<i>Mobile Homes/ Trailers</i>	<i>Vacant Units</i>	<i>Total Units</i>
	2,796	1,432	3,575	753	166	308	4,535

Source: US Census Data from CRAWiz.

Exhibit - 3

Income								
	<i>LMI Census Tracts/ BNAs</i>	<i>MI Census Tracts/ BNAs</i>	<i>UI Census Tracts/ BNAs</i>	<i>Total Census Tracts/ BNAs</i>	<i>LMI House- holds (000)</i>	<i>MI House- holds (000)</i>	<i>UI House- holds (000)</i>	<i>Total House- holds (000)</i>
	874	1,421	613	2,950	1,010	2,210	1,010	4,230

Source: US Census Data from CRAWiz.

Exhibit -4

Families Arranged by Income Level and Income Level of Tract					
	<i>Census Tracts/BNAs</i>	<i>Total Families</i>	<i>LMI Families</i>	<i>MI Families</i>	<i>UI Families</i>
<i>LMI Tract</i>	874	630,631	405,527	128,022	97,109
<i>MI Tracts</i>	1,421	1,571,952	556,279	438,637	577,081
<i>UI Tracts</i>	613	764,450	134,192	152,077	478,195
Totals	2,950 *	2,967,033	1,095,998	718,736	1,152,385

Source: US Census Data from CRAWiz.

* 42 Census Tracts/BNAs are not categorized.

The economies of the areas in the delineated community are very similar. Major job sources are the production of durable goods (especially automobiles and related components), agriculture, retail trade, and medical research and services. The significant economic dislocations of the late 1970's and early 1980's have worked through the system for the most part, although some dislocations still remain. Unemployment in KBNA's community is relatively low at 5%.

Identified Community Credit Needs

The following community credit needs have been identified by KBNA in the course of its ascertainment efforts during the period covered by this evaluation:

- 1) Loans on mixed commercial/residential use properties (generally retail space with attached residence);
- 2) Loans to not-for-profit organizations to assist them in construction and rehabilitation of low- and moderate-income housing;

- 3) Loans for the construction of shared and assisted living facilities for low- and moderate-income senior citizens in their neighborhoods;
- 4) Loans and technical assistance to “mini-loan” funds which focus on lending to small and/or women and minority owned businesses; and,
- 5) Loan programs to address combined purchase and rehabilitation of residential properties as part of a single transaction (“purchase/rehab loans”).

Responses to Identified Community Credit Needs (respectively)

- 1) KBNA has begun to extend this type of credit.
- 2) KBNA continues to extend this type of credit to not-for-profit organizations. KBNA has a successful track record in this type of lending, and in conjunction with intermediaries known to KBNA.
- 3) KBNA is working with municipalities and not-for-profit organizations to develop and finance this kind of housing.
- 4) KBNA has worked with a number of municipalities to set up, administer, and contribute to “mini-loan” funds.
- 5) KBNA has been working to establish this loan program; it is presently available in some markets.

Examination Profile - During this evaluation, all ten of KBNA’s districts were visited on-site by a member of the examination team. We conducted community outreach meetings in each of these districts to assist in determining both community credit needs and KBNA’s performance in meeting those needs. Through these sources the credit needs we identified are consistent with the credit needs identified by KBNA.

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.

- **KBNA's performance in this area is strong. Ongoing contact is maintained with a wide range of community and public sector participants in community reinvestment and development activities. KBNA has effectively identified the credit needs of each community served.**

KBNA meets with a wide range of community based organizations and local and state governments. The information generated in these meetings has resulted in improved bank knowledge about needs and opportunities in the local communities, which have resulted in new and/or significantly altered products and services. These meetings have resulted in the development of on-going relationships with community-based organizations, community leaders, and public officials throughout KBNA's communities. Officers from all areas of KBNA meet with a wide range of persons to determine customers' needs. Quarterly reports of these meetings are reported to KBNA's CRA management. The needs identified and the responses to those needs have been previously discussed in the *Community Profile* section of this evaluation.

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 and senior management have developed a comprehensive program to meet the credit needs of its serviced communities.**

The Board and senior management provide strong supervision and oversight of KBNA's CRA program. They have ensured the development of a CRA plan, a method of self-assessment, training, and periodic monitoring of performance. The Board of Directors has adopted a CRA Statement which addresses the significant efforts undertaken to improve CRA performance. This statement includes a detailed listing of the types of credit available.

In addition to the CRA Statement, the Board of Directors has approved a formal CRA program, a formal compliance program, a fair lending review and evaluation program, and a branch closing policy.

CRA activities are routinely considered in the Board and senior management's activities and meetings. Regular reports are made to the Board by CRA staff personnel (sometimes in conjunction with representatives of KCDC). These reports are noted in Board minutes. There is an adequate level of understanding and review of CRA activities by the Board.

KBNA complies with the technical requirements of the Act.

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 it offers.

- **KBNA's advertising and product development has been strongly responsive to ascertained credit needs throughout the delineated community. Marketing materials provided show both strong advertising and aggressive product development in response to market needs.**

KBNA continues to offer a wide range of products to help meet the needs of its delineated community. Centerpieces are the "Assist" programs: HomeAssist and UrbanAssist.

HomeAssist is a purchase money mortgage product. It has gone through a number of changes in response to changing market and competitive conditions. HomeAssist V (the current generation) is offered in conjunction with the Fannie 97 program developed by the FNMA. HomeAssist V allows low- and moderate income people to obtain mortgage financing with very low out of pocket expenses. The bank also offers, as part of the Homeassist program, home improvement loans at discounted rates which are marketed through pre-approved direct mailings in LMI areas.

UrbanAssist is a program in which KBNA offers reduced rate financing to the ultimate buyers on low- and moderate-income projects where either KBNA or KCDC has been involved in the construction and/or development financing of the project.

KBNA continues to aggressively market these and other products throughout its marketing area. It uses a wide range of print and electronic media to supplement its daily emphasis on direct person-to-person marketing by its employees. It has developed advertisements in Spanish which are regularly used in areas with large Latino populations.

KBNA's CRA Statement includes a detailed listing of the types of credit which are offered.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business and small farm loans within its community; or the purchase of such loans originated in its community.

- **KBNA continues to maintain a position of aggressively lending in its community.**

Retail and Small Business Loans: The following exhibits (Exhibits 5, 6, 7 & 8) demonstrate that KBNA has been aggressive in lending across a wide range of categories.

The loans reported in these exhibits are loans originated.

Loan growth rates are shown for non-HMDA retail loans (Exhibit 5) and HMDA loans (Exhibit 6), in 1995. Overall, these tables show significant growth rates. Some changes in the types of lending are also noted. All of the non-HMDA retail lending categories show double digit growth during 1995, ranging from 70.7% in small business loans to 10.6% in direct installment loans. In the HMDA lending categories decreases are noted in purchase money mortgages, -18.6%, and refinances, -59.4% during 1995. The decrease in refinances should be evaluated in light of the refinancing market which is extremely interest rate sensitive. The decline in purchase money mortgage lending is the direct result of a decreased emphasis on this type of lending.

Exhibit- 5

KBNA Loan Originations (Annual)					
<i>Loan Type</i>	<i># of Loans 12/94</i>	<i>\$ of Loans 12/94 (000's)</i>	<i># of Loans 12/95</i>	<i>\$ of Loans 12/95 (000's)</i>	<i># % +/-</i>
<i>Direct Installment Loans</i>	35,487	\$408,308	39,239	\$410,000	+10.6%
<i>Personal Lines of Credit</i>	15,630	\$473,791	24,926	\$782,352	+59.5%
<i>Small Business Loans</i>	5,231	\$209,715	8,927	\$348,664	+70.7%
<i>Credit Cards</i>	26,436	\$ 80,453	33,446	\$137,540	+26.5%
Total	82,784	\$1,172,267	106,538	\$1,678,556	+28.7%

Source: KBNA Internal Records

Exhibit- 6

KBNA HMDA Loan Originations (Annual)					
<i>Loan Type</i>	<i># of Loans 12/94 *</i>	<i>\$ of Loans 12/94 * (000's)</i>	<i># of Loans 12/95 *</i>	<i>\$ of Loans 12/95 * (000's)</i>	<i># % +/-</i>
<i>Purchase Money Mortgages</i>	6,328	\$574,587	5,152	\$419,870	-18.6%
<i>Home Improvement Loans</i>	7,548	\$107,027	8,292	\$101,049	+ 9.9%
<i>Refinancing Mortgage Loans</i>	5,029	\$418,087	2,043	\$187,613	-59.4%
Totals	18,905	\$1,099,701	15,487	\$708,532	-35.6%

Source: CRAWiz, from PCI, Inc.

* Includes the number and dollars lent under the HomeAssist and UrbanAssist programs

Exhibit- 7

KBNA Loan Originations (Year-to-Date)					
<i>Loan Type</i>	<i># of Loans 6/95</i>	<i>\$ of Loans 6/95 (000's)</i>	<i># of Loans 6/96</i>	<i>\$ of Loans 6/96 (000's)</i>	<i># % +/-</i>
<i>Direct Installment Loans</i>	16,452	\$177,024	19,813	\$196,657	+20.4%
<i>Personal Lines of Credit</i>	9,718	\$355,265	17,214	\$416,954	+77.1%
<i>Small Business Loans</i>	3,738	\$154,356	3,785	\$173,013	+ 1.3%
<i>Credit Cards</i>	14,364	\$56,909	24,830	\$109,089	+72.9%
Totals	44,272	\$743,554	65,642	\$895,713	+48.3%

Source: KBNA Internal Records

Exhibit- 8

KBNA HMDA Loan Originations (Year-to-Date)					
<i>Loan Type</i>	<i># of Loans 6/95 *</i>	<i>\$ of Loans 6/95 * (000's)</i>	<i># of Loans 6/96 *</i>	<i>\$ of Loans 6/96 * (000's)</i>	<i># % +/-</i>
<i>Purchase Money Mortgages</i>	2,305	\$186,951	1,853	\$163,512	-19.6%
<i>Home Improvement Loans</i>	4,230	\$ 50,893	3,011	\$ 39,021	-28.8%
<i>Refinancing Mortgage Loans</i>	529	\$ 44,745	1,719	\$135,288	+225.0%
Totals	7,064	\$282,589	6,583	\$337,821	- 6.8%

Source: CRAWiz, from PCI, Inc.

* Includes the number and dollars lent under the HomeAssist and UrbanAssist programs

Exhibits 7 & 8 show the relative levels of lending between June 30, 1995 and June 30, 1996. Again, the non-HMDA categories of retail credit show growth in each category. The increases ranged from just over 1% in the small business category to over 70% in both personal lines of credit and credit cards. The HMDA loan origination table continues to show decreases in the volume of purchase money mortgage credit extended, down almost 20% over the period. Also, home improvement lending turned down during this period, approximately 29%. Refinances picked up dramatically, which would be expected given the downward drift in interest rates over this period.

Exhibits 6 & 8 demonstrate the effect of KBNA's decision to reduce its emphasis on purchase money mortgage lending.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.

- **KBNA is involved in a wide range of governmentally related programs at the federal, state and local levels.**
- **KBNA has demonstrated a willingness to work creatively with local governments to help develop new lending programs.**

KBNA does not presently have the capability of centrally tracking governmentally-insured, guaranteed or subsidized loan programs except for FHA/VA mortgage lending (Exhibit 9) and

SBA lending (Exhibit 10). Therefore, this comment will focus on those two areas. Also discussed is the Cleveland Neighborhood Reinvestment Agreement (CNRA) as an example of KBNA's willingness to work creatively with local governments to develop products to meet local needs. The discussions under this assessment factor in the appendices address KBNA's involvement in programs of a more local nature.

Exhibit- 9

FHA/VA Lending						
	<i>1994 #'s Loans</i>	<i>1994 \$'s Loans (000's)</i>	<i>1995 #'s Loans</i>	<i>1995 \$'s Loans (000's)</i>	<i>6/30/1996 #'s Loans*</i>	<i>6/30/1996 \$'s Loans* (000's)</i>
	106	\$6,504	109	\$6,603	57	\$4,101

Source: KBNA and CRAWiz from PCI, Inc.

* Year to date.

KBNA has not been a large FHA/VA lender during the last 5 years because of the HomeAssist program discussed previously. HomeAssist was designed to meet the same market normally served by FHA/VA financing without the documentation difficulties and additional out-of-pocket expenses associated with these government programs. However, FHA/VA products are available, and are used.

Exhibit- 10

SBA Lending						
	<i>1994 #'s Loans</i>	<i>1994 \$'s Loans (000's)</i>	<i>1995 #'s Loans</i>	<i>1995 \$'s Loans (000's)</i>	<i>8/07/96 #'s Loans*</i>	<i>8/07/96 \$'s Loans* (000's)</i>
	80	\$9,800	139	\$12,569	82	\$6,944

Source: KBNA Internal Records

* Year to date

KBNA has been increasing its involvement in SBA lending over the past few years. KBNA is a preferred lender, and has specifically trained officers in a number of locations in its communities to increase accessibility to SBA lenders. As a preferred SBA lender the loan application processing time can be substantially reduced.

In addition to the types of programs discussed above, KBNA's willingness to enter into agreements with various local governments is demonstrated by a formal agreement KBNA has with the City of Cleveland. KBNA is also working closely with municipal governments in other communities to help develop, market, and use public/private joint lending programs. We are providing detail here on the City of Cleveland program as an example of the type of

programs that can be developed. The agreement with the City of Cleveland covers KBNA's operations, product offerings, lending levels, and facilities locations in the City.

The first of these agreements, CNRA-I was dated December 30, 1991, and was effective through December 31, 1995. Some of the more significant performance indicators under this agreement are detailed in Exhibits 11 and 12 .

Exhibit- 11

1994 Performance under the Cleveland Neighborhood Reinvestment Agreement			
<i>Type of Credit or Program</i>	<i>2nd Quarter 1994</i>	<i>3rd Quarter 1994</i>	<i>4th Quarter 1994</i>
<i>Interest-only, short-term loans for housing development</i>	Commitments: \$11.25 Million Outstandings: \$543,652	Commitments: \$11.57 Million Outstandings: \$600,288	Commitments: \$12.87 Million Outstandings: \$242,993
<i>CASH</i>	4 new homes \$448,750	8 new homes \$742,940	14 new homes \$1,656,075
<i>Cleve.Housing Partnership Equity Investment</i>	No new commitments	No new commitments	\$5 Million commitment to LISC \$5 Million commitment to ESIC
<i>Letters of Credit as security for CDBG funds</i>	\$3.5 Million for CHN Partnership #11 -- 190 low income housing units	\$1.2 Million for Nouvelle Espoir Arcade	No new commitments
<i>HomeAssist</i>	56 loans \$3,664,210	105 loans \$5,207,139	54 loans \$2,386,680
<i>HomeAssist (1) (targeted areas)</i>	18 loans \$739,900	24 loans \$905,490	14 loans \$595,325
<i>Small Business (2) Development Loans</i>	0 new loans	3 loans \$29,565	0 new loans

Source: Quarterly reports submitted to the City of Cleveland by KBNA

(1) The "targeted areas" HomeAssist loans are included in the HomeAssist totals

(2) Small business is defined as one with fewer than 150 employees and less than \$ 5,000,000 in annual sales.

In addition to the data shown above, KBNA expanded its hours at a branch in an LMI location to include Saturdays.

Exhibit- 12

1995 Performance under the Cleveland Neighborhood Reinvestment Agreement				
<i>Type of Credit or Program</i>	<i>1st Quarter 95</i>	<i>2nd Quarter 95</i>	<i>3rd Quarter 95</i>	<i>4th Quarter 95</i>
<i>Interest-only, short-term loans for housing development</i>	Commitments: \$14.32 Million *	Commitments: \$14.34 Million *	Commitments: \$14.34 Million *	Commitments: \$14.34 Million *
<i>CASH</i>	7 loans \$810,550	6 loans \$497,766	0 loans \$0	5 loans \$562,585
<i>Cleve. Housing Partnership Equity Investment</i>	No new commitments	No new commitments	No new commitments	\$5 Million commitment to LISC \$5 Million commitment to ESIC
<i>Letters of Credit as security for CDBG funds</i>	No new commitments	\$1.8 Million in two new commitments	\$50,000 in one new commitment	\$303,000 in one new commitment
<i>HomeAssist</i>	49 loans \$2,396,821	48 loans \$2,746,180	43 loans \$2,583,265	33 loans \$1,702,503
<i>HomeAssist (1) (targeted areas)</i>	14 loans \$581,755	14 loans \$690,325	11 loans \$588,100	11 loans \$506,500
<i>Small Business Development Loans (2)</i>	0 new loans	1 loan \$20,000	1 loan \$20,000	0 new loans

Source: Quarterly reports provided to the City of Cleveland by KBNA

* KBNA ceased tracking this information after the City of Cleveland no longer required it, after determining that KBNA was meeting the agreement.

(1) The "targeted areas" HomeAssist loans are included in the HomeAssist totals

(2) Small business is one with fewer than 150 employees and less than \$ 5,000,000 in annual sales.

In addition to the data shown above, KBNA completed substantial branch renovations at two (2) branches in LMI neighborhoods.

Cleveland Neighborhood Reinvestment Agreement II - (CNRA II)

CNRA II was entered into following the City of Cleveland's acknowledgement of the success of KBNA's commitment in meeting the objectives of the first agreement. CNRA II's provisions are generally the same as the first agreement. It again establishes specific goals for the City as a whole and for certain targeted neighborhoods. Identified targeted neighborhoods have high levels of either: 1) low and moderate income persons; 2) minority persons; or 3) both. The targeted neighborhoods are Central, Clark-Fulton, Corlett, Detroit-Shoreway, Fairfax, Forest Hills, Glenville, Hough, Kinsman, Lee-Miles, Mt. Pleasant, North Broadway, Ohio City, South Collinwood, St. Clair-Superior, Tremont, Union-Miles Park, and Woodland Hills. The goals contained in the agreement have been made public and have been published in local papers including *The Plain Dealer*. CNRA- II is in effect through 1999 and calls for KBNA to lend over \$300,000,000 during the next four years, of which over \$100,000,000 is to be in the targeted neighborhoods. During the first six months of 1996, KBNA has lent nearly \$16,000,000 under the terms of the CNRA - II. Of this amount about half of the funds have been in the targeted areas.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The delineated community is reasonable. No low- or moderate-income neighborhoods are arbitrarily excluded from the community.**

The delineated community generally consists of those counties in which KBNA operates branches. The partial county delineations are reasonably reflective of branch operations within the county in question. The general population figures given in the *Community Profile* section at the beginning of this evaluation (Exhibits 1, 2, 3 & 4) show that KBNA's delineated community consists of 43% of the total population of the three (3) states. The delineated community contains 46% of the LMI census tracts in these states, and 42% of the LMI families.

KBNA's general practice has been to include in its delineated community all counties in which it operates branches. The only exceptions to this approach are partial county delineations in Allen, Delaware, and Trumbull Counties in Ohio, and Branch, Livingston, St. Joseph and Wayne Counties in Michigan. Each of the partial county delineations occurred as a result of branches located near county borders. These partial county delineations are supported by a KBNA prepared analysis, which looks at both lending and deposit activities in and near the partial counties delineated. The approach taken by KBNA to delineating its community supports the conclusion that the delineation is reasonable.

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

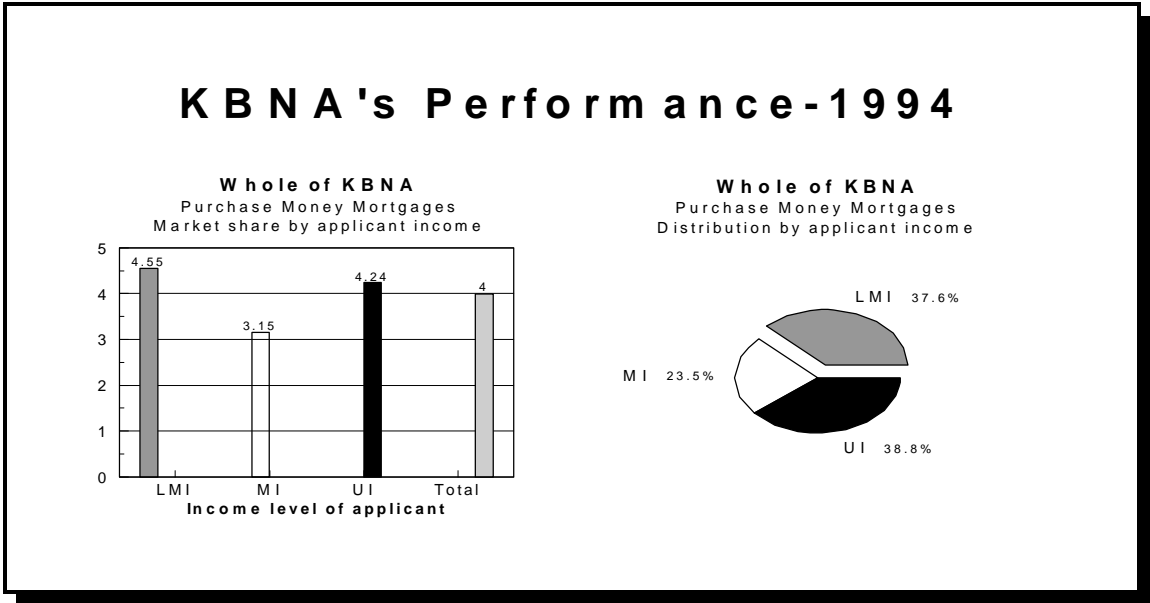
- **KBNA's performance is exceptionally strong at meeting the credit needs of LMI areas and LMI applicants at a level above that reached for the general market.**

The following discussion addresses all HMDA-related lending activities of KBNA. For information on performance in particular geographic areas, please refer to the appropriate appendix.

Penetration Analysis - Both for the full year 1995 and year-to-date 1996, KBNA is doing a good job of penetrating all the census tracts/BNA's in its delineated community. In 1995, KBNA extended HMDA-related credit in 86% of the 2,950 census tracts/BNAs making up its delineated community. During that same time period, it extended credit in 77% of the 874 LMI census tracts/BNAs in its delineated community. During the first half of 1996 KBNA extended HMDA-related credit in 76% of the 2,950 census tracts/BNAs making up its delineated community, and 65% of the 874 LMI census.

Market Share Analysis - Exhibits 13 through 20 show that KNBA's market share % in LMI areas exceeded its market share % for the market as a whole in 1994 and 1995 for purchase money mortgages and home improvement loans. For example, in exhibit 13, KBNA's market share in 1994 for purchase money mortgage loans was 4%; however, its market share of LMI areas was 4.55%. In this analysis, market share is calculated using numbers of loans approved, not the dollar volume approved.

Our analysis of KBNA's purchase money mortgage and home improvement lending in the first half of 1996 demonstrates that the distribution to LMI applicant's and LMI areas is consistent with results of 1994 and 1995. Comparable market data for 1996 is not available.



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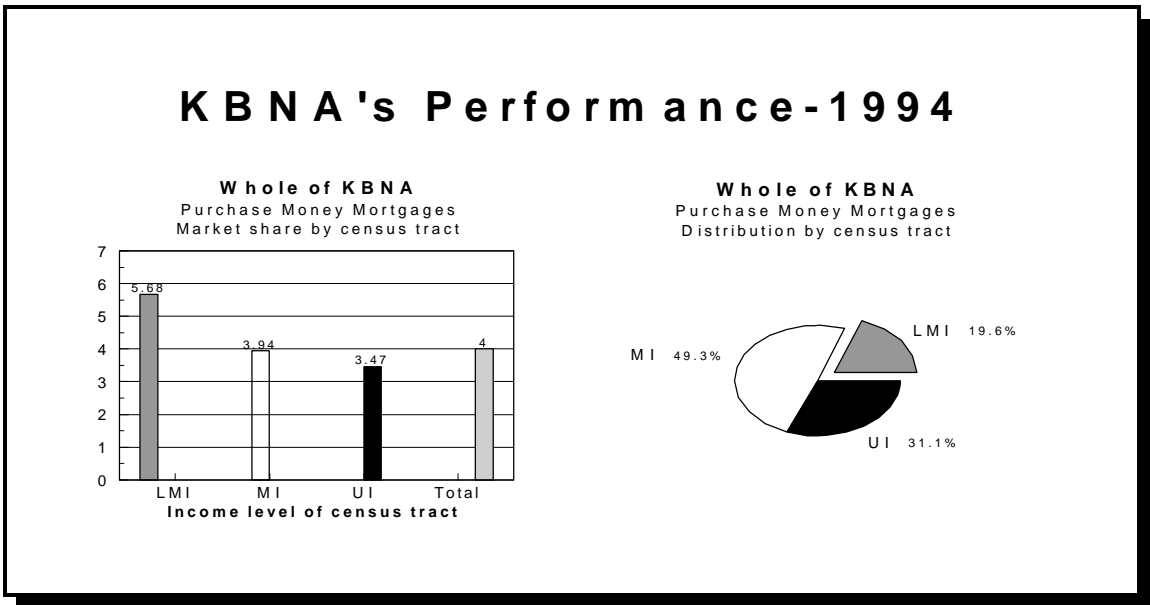
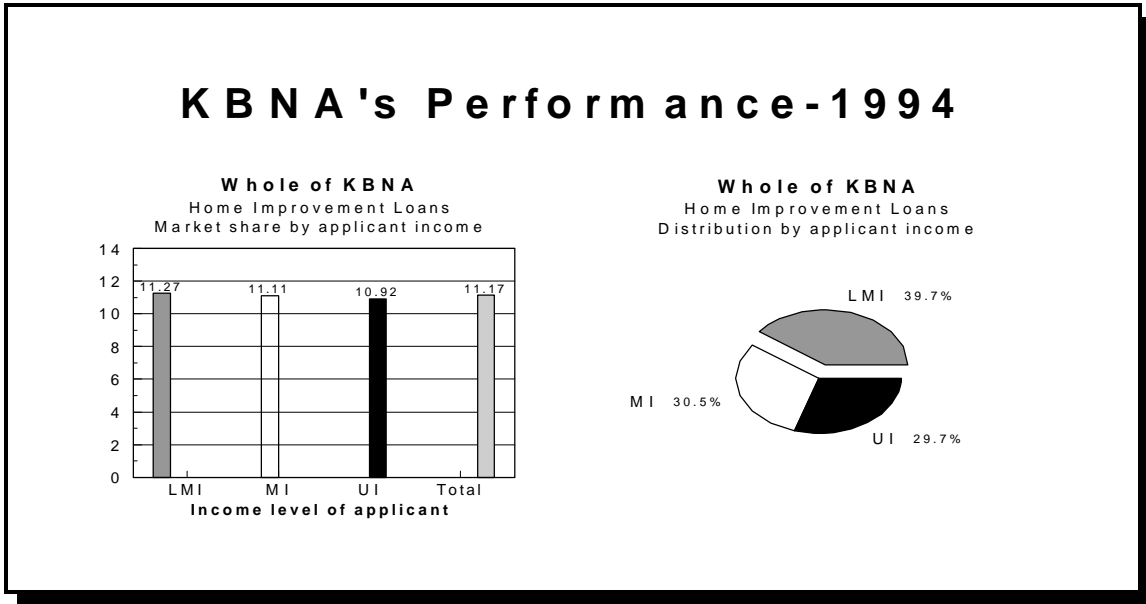


Exhibit - 14

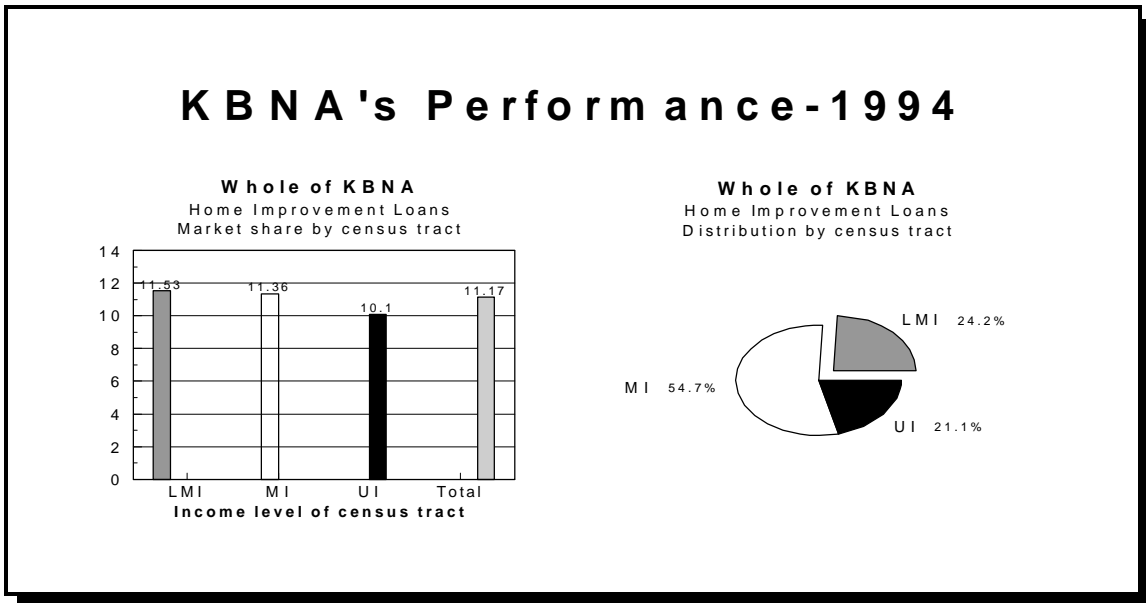
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Exhibit - 15



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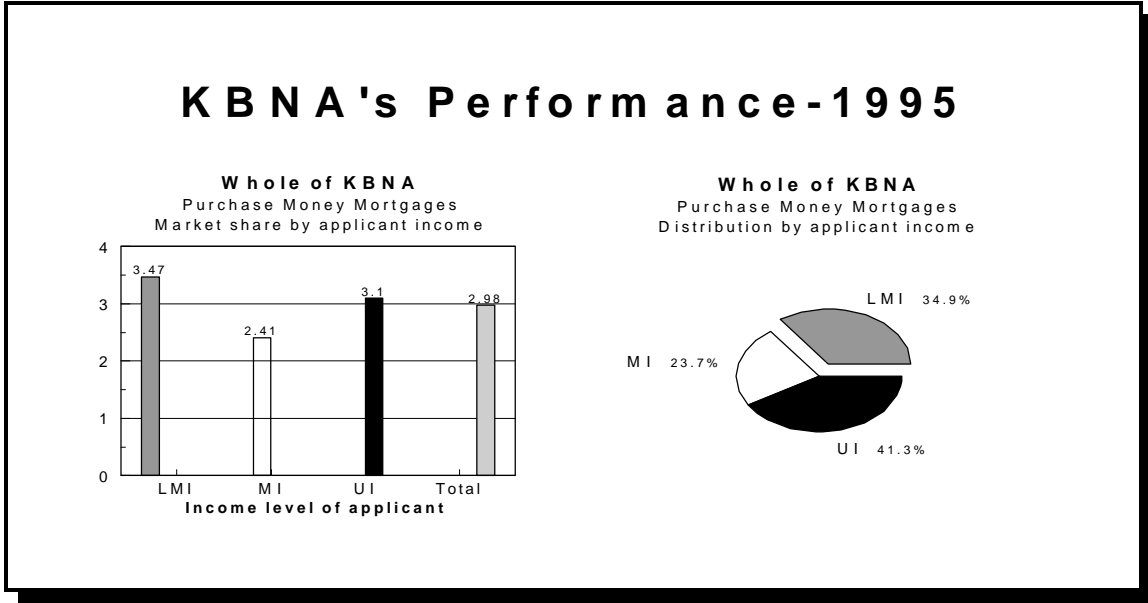
Exhibit - 16



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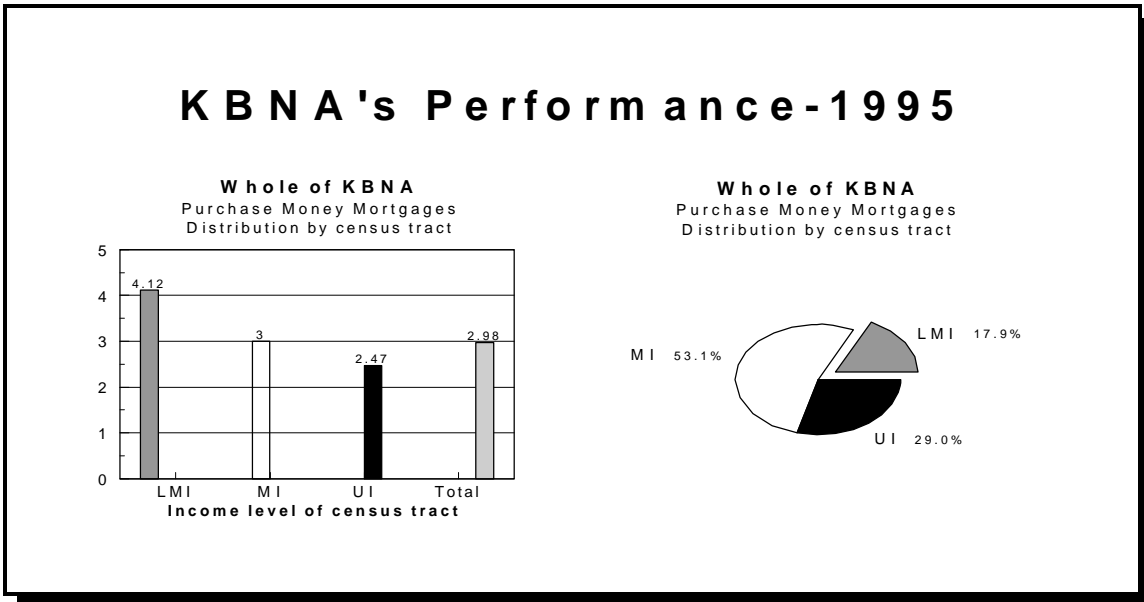
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Exhibit- 17



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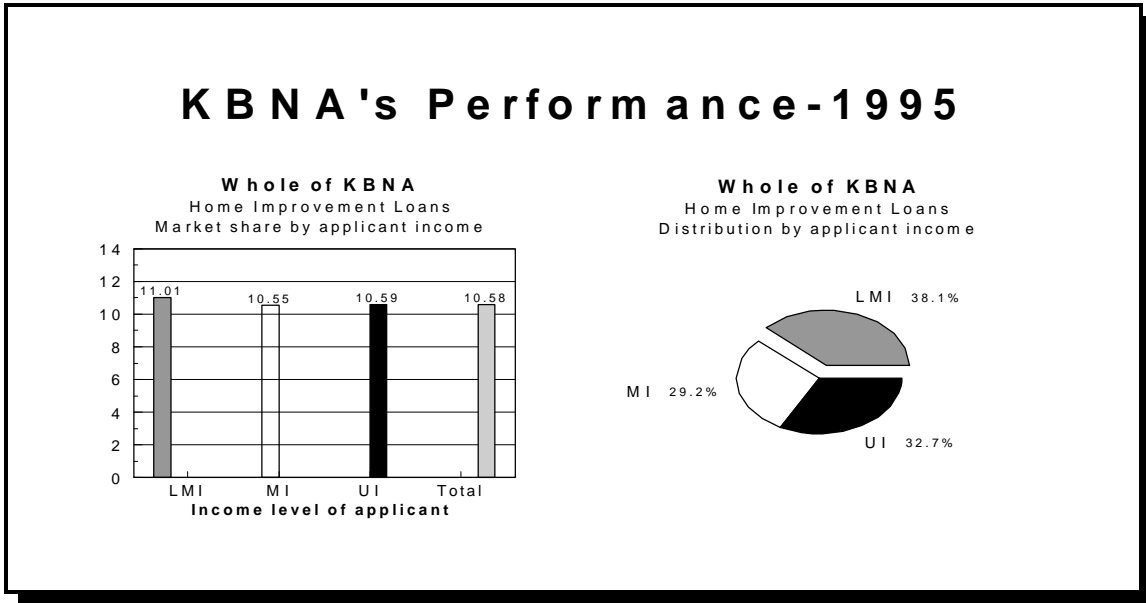
Exhibit- 18



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Exhibit- 19



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Exhibit- 20

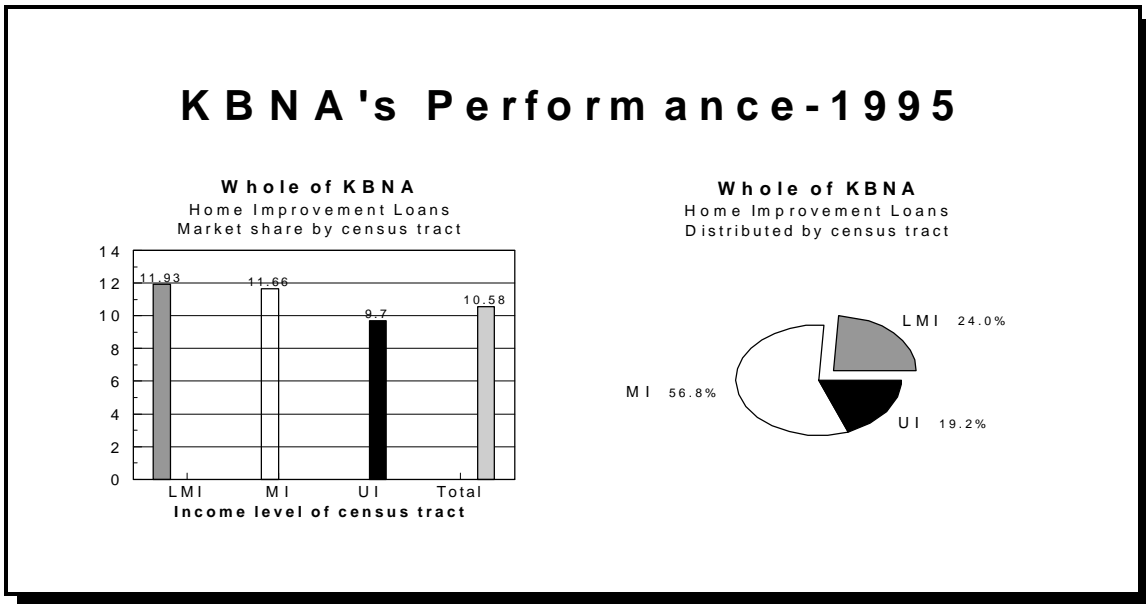
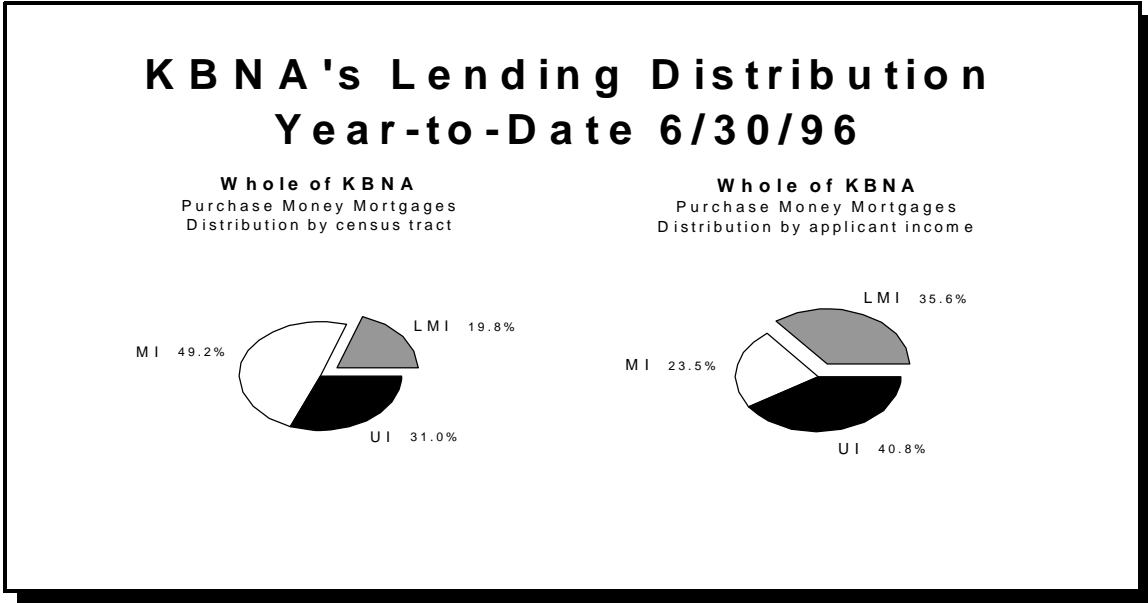
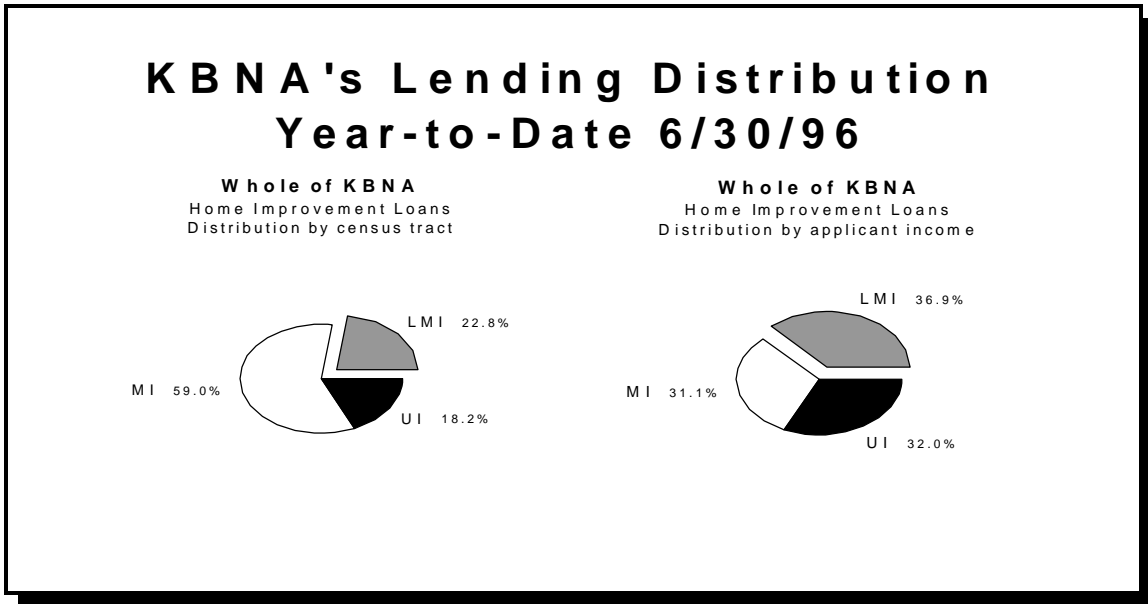


Exhibit- 21



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Exhibit- 22



Data is from PCI Services, Inc.

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

- **KBNA’s performance in this area is strong. It has a good record of providing services through its branch network. Branches and branch closings have been reasonably distributed across the delineated community.**

For this discussion, the following figure (obtained from Exhibit 4) is provided: LMI census tracts/BNA’s = 29.6% of total census tracts/BNA’s in KBNA’s delineated community.

Present Branch Structure:

Exhibit - 23

KBNA Branch Activity 1/1/94 to 6/17/96								
<i>States</i>	<i>Total Brs. 1/1/94</i>	<i>Open Since 1/1/94</i>	<i>Closed Since 1/1/94</i>	<i>Total Brs. 6/17/96</i>	<i>LMI Brs. 1/1/94</i>	<i>Open Since 1/1/94</i>	<i>Closed Since 1/1/94</i>	<i>LMI Brs 6/17/96</i>
<i>OH</i>	338	3	31	310	57	0	5	52
<i>IN</i>	93	3	10	86	16	0	0	16
<i>MI</i>	41	0	6	35	9	0	2	7
<i>Total</i>	472	6	47	431	82	0	7	75

Source: KBNA Internal Documents

Note: LMI Branches are also included in the Total Branch figures

The 75 branches in LMI areas represents 17.5% of the 431 total branches. Assuming no more than one (1) branch is in each census tract/BNA, 8.6% (75/874) of LMI tracts have branches, compared to 17.5% (356/2034) of the MI and UI tracts. It should also be noted that of the 47 branches closed since January 1, 1994, 7 have been in LMI areas. All of these closings were undertaken in response to economic changes which have occurred since they opened. Several of the closed branches were located in small rural communities. In general, accounts maintained at the effected office were moved to the nearest branch which was typically in a nearby business center (communities with grocery stores and similar amenities).

Branch Closing Policy -- KBNA and its predecessor institutions operate(d) under a branch closing policy. This policy addresses three different types of changes which can occur in the operations of a branch: 1) Reduction-in-Service; 2) Consolidation; and, 3) Closing. KBNA’s policy requires for both “Consolidations” and “Closings” a ninety (90) day written notification of the proposed changes to customers of the effected office(s) and the Office of the Comptroller of the Currency (OCC) will be made. KBNA developed a new branch

closing policy during the examination with no substantive changes made.

Providing services at offices -- KBNA makes all of its services available at each office. If the bank employee with the necessary expertise needed to discuss a specific transaction is not located at a branch, arrangements are made to get the proper person to the branch at the earliest possible time convenient to the parties involved

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).

- **KBNA's performance in this area is excellent. It takes many approaches to ensuring ongoing compliance. Each of these programs is designed to complement and reinforce other programs, all with the goal of maintaining a non-discriminatory environment.**

KBNA actively solicits credit applications from all segments of its delineated community, with a strong focus on LMI neighborhoods. Its lending policies expressly forbid discrimination on any prohibited basis. No policy or underwriting standard acts as a barrier to obtaining credit. Anti-discriminatory training is conducted on at least an annual basis. This training is not restricted to lending personnel, but has been broadened to include all customer contact personnel.

KBNA has an anti-discrimination task force. This group, including representatives of most functional areas in the bank, has evaluated the lending portfolios and practices and has performed reviews of various operational areas. While no instances of illegal or unethical practices were encountered, areas where enhancements to the system could be made were noted. Recommendations made by this task force have been implemented.

KBNA's management has actively sought to ensure that credit is made available to the LMI community. These efforts have included the use of specialized loan originators, targeted products and targeted marketing for those products.

KEY has established corporate guidelines within its compliance program for testing for technical compliance with the CRA and fair lending regulations on a regular basis. These guidelines are included in KBNA's compliance program. Additionally, KEY has established corporate guidelines governing the conduct of second reviews of loan applications. Using these guidelines, various lending functions have developed formalized second review programs. Second review programs are designed to review loan applications originally denied prior to making a final decision. These programs attempt to determine if there is a way to approve the loan and to ensure that all applicants were treated fairly.

All of the programs and processes discussed above are indicative of KBNA's efforts to be proactive in its attempts to ensure fair and equitable treatment for all potential customers.

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

- **KBNA's performance in this area is very strong.**

We reviewed and analyzed all 1,246 home improvement loan applications accepted by KBNA between January 1 and March 31, 1996. Our analysis looked at approval and denial decisions made within the lending policy. We also looked at those applications which were handled as exceptions to the general policy. We found no evidence of illegal discrimination in the resolution of these applications in either circumstance. The decisions demonstrate consistent application of standards to loan applications. The performance shown reflects the effectiveness of the training programs discussed above in *Assessment Factor D*.

Home improvement loans were selected for analysis since we reviewed purchase money mortgage loans at the prior examination.

V. COMMUNITY DEVELOPMENT

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

- **KBNA's performance in community development issues is strong. A wide-range of products is available and in use.**

KBNA works very closely with KCDC in helping to meet community development and redevelopment needs.

As of June 30, 1996 KCDC has direct equity investments in thirteen (13) projects with a total commitment of \$2,000,000. It has Low Income Housing Tax Credit Investments in sixty-two (62) projects with a total commitment of \$64,000,000. These projects will result in the construction/ rehabilitation of 2,716 low income housing units. KCDC has also extended loans in excess of \$60,000,000 to small start-up businesses (either directly, or through mini-loan funds), not-for-profit organizations, or in gap financing on low income housing tax credit projects.

The centerpiece of KBNA/KCDC's community development efforts is the Community Development Lending Program. This is a program designed to meet the community development needs throughout the delineated community. KBNA has specifically designated community development lenders (CDL's). These are experienced lenders who can bring a full "menu of products and services" to their customers in order to build relationships which

lead to both lending opportunities and gradual reductions in risk and transaction costs. This program, and the lenders in it, are seen as being an extension of, rather than a substitute for general commercial credit underwriting. Community development underwriting is handled as a specialized line of business, just as lending to many other lines of business are.

The current product profile is in Exhibit - 24:

Exhibit - 24

Community Development Lending Programs	
<i>Type of Organization</i>	<i>Bank Product Available</i>
<i>Not-for-Profit Organizations</i>	Working Capital Loans Term Loans
<i>Commercial Businesses</i>	Term Loans Lines of Credit Commercial Mortgages
<i>Micro Loans</i>	City of Cleveland State of Ohio Other regional economic initiatives
<i>Commercial Construction</i>	Low Income Housing Tax Credit Developments Facade Renovation Programs Commercial and Retail Properties Historic Tax Credit Renovations
<i>New Construction</i>	Construction Lines of Credit --Market Rate for sale homes --Affordable housing Standby Letters of Credit --CDBG "Float" Loans --Affordable Housing --Bond Financed Projects
<i>Neighborhood Housing Rehabilitation</i>	Not-for-Profit and For Profit Developers --Buy/Rehab and Sell --Buy/Rehab and Lease

KBNA/KCDC is also involved in working with borrowers to obtain and use credit enhancements such as "soft second" mortgages, loan guarantees, linked deposit/compensating balance loan programs, and working with local corporate and philanthropic supporters to

organize support for long-term community and economic development initiatives.

Please refer to the Appendices to this report for detail on projects underway in specific areas.

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

- **KBNA is capable of competing for, and participating in, community development and reinvestment projects consistent with the size and scope of its operations.**

There are no legal impediments to KBNA's ability to meet the credit and banking needs of its communities. Refer to the discussion under *Community Profile* for details about current economic conditions. Refer to the discussion under *Bank Profile* for information about KBNA's financial condition, size, and ownership.

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

- **No additional factors were considered.**