



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

April 16, 2003

Community Reinvestment Act Performance Evaluation

**Morehead National Bank
Charter Number: 18433**

**Main Street and Carey Avenue
Morehead, KY 40351**

**Office of the Comptroller of the Currency
Louisville Field Office
9200 Shelbyville Road Suite 505
Louisville, KY 40222**

NOTE: This document is an evaluation of this 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. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of **Morehead National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- A satisfactory level of lending volume and percentage of loans originated in the assessment area (AA);
- Satisfactory borrower distribution of small loans to businesses and farms and adequate borrower distribution of home mortgage lending;
- An adequate level of investments;
- Delivery systems are accessible to essentially all geographies and individuals in the AA; and
- Community development services are outstanding.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in-group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Morehead National Bank (MNB) is a \$50 million intrastate bank headquartered in Morehead, Kentucky. The bank's market and its one branch are located in Rowan County, Kentucky. MNB did not have any mergers or acquisitions during this evaluation period. The holding company is Whitaker Bank Corporation (WBC) located in Lexington, Kentucky. As of December 2002, WBC's assets were \$1.1 billion. WBC owns six financial institutions located throughout the state of Kentucky. There are no affiliate activities included in this evaluation.

MNB's primary lending focus is home mortgage loans with emphasis also placed on consumer and commercial/commercial real estate loans. MNB also makes loans to small businesses and farms in the area. MNB offers an adjustable-rate home mortgage product with a five-year fixed-rate and a twenty-year amortization. The bank also does fixed-rate mortgages in-house using the Federal Home Loan Bank as well as accepts home mortgage applications for a 30-year fixed-rate product through the secondary market; however, the loan decision, funding and booking are through WBC. As of December 2002, MNB had net loans to total assets of 71.56 percent. In general, the loan portfolio is comprised of \$24 million (64.7 percent) in residential and residential real estate, \$5 million (13.7 percent) in commercial and commercial real estate, \$5.6 million (15.2 percent) in consumer loans, \$819 thousand (2.2 percent) in construction and land development, \$1.3 million (3.6 percent) in farm loans, and \$226 thousand in other types of loans (0.6 percent).

There are no legal, financial or other factors impeding MNB's ability to help meet the credit needs in its AA. As of December 2002, MNB had net Tier 1 Capital of \$3.2 million.

MNB was rated "Satisfactory" at its last CRA evaluation dated September 28, 1998.

Scope of the Evaluation

Evaluation Period/Products Evaluated

MNB became a small business loan reporter for the year 2002 and we evaluated the bank's small business lending for that period only. The bank does not have an office located in a metropolitan statistical area, and therefore, is not subject to the Home Mortgage Disclosure Act that requires certain home mortgage data collection. For this examination, we reviewed and sampled MNB's origination of home purchase, home improvement, and refinance loans. Our sample covered the years of 2001 and 2002. Community development activities and investments were evaluated from the date of the last CRA evaluation (September 28, 1998) to the start date of this CRA evaluation (April 16, 2003).

Data Integrity

We performed a data integrity review of MNB's small business originations for the year 2002. The review found that 29 percent of the data incorrectly listed the loan type, the purpose, or the census tract. The bank revised its data and the corrected data was used for examination purposes.

We also reviewed reported qualified investments and CD services that were submitted by MNB to verify they met the regulatory definition of CD. Some of the CD activities submitted by MNB did not meet the definition of CD. We excluded these activities from our review. However, the bank did not submit any CD loans for our review.

Selection of Areas for Full-Scope Review

We performed a full-scope review in the non-metropolitan AA (Rowan County).

Refer to Appendix A for more information.

Ratings

The bank's overall rating is based primarily on those area that received a full-scope review.

MNB's overall rating is based on Rowan County which received a full-scope review.

Other

We contacted two community organizations to ascertain the community and credit needs in the AA. An economic development organization stated a need for an expanded industrial park as well as the creation of a conference center to bring in more tourist activity. A low-income housing organization indicated a need for more affordable home financing along with more flexible underwriting criteria. Refer to the Market Profile in Appendix B for more information.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

MNB's performance under the lending test is rated "High Satisfactory". Based on full-scope review, the bank's overall performance in Rowan County is satisfactory.

Lending Activity

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

MNB's lending activity is considered satisfactory based on MNB being a fairly high deposit-taker and having a high loan-to-deposit ratio.

Within the AA, MNB has the third highest deposit market share (15.81 percent) of all financial institutions. The financial institution that dominates the deposit market share at 33.64 percent is headquartered in Minnesota and has assets of in excess of \$174 billion, along with more than 2000 offices across the United States. The dominance created by this large interstate bank places significant competitive pressure on MNB and other local financial institutions.

Small business lending market share data for 2002 is not yet available. However, 2001 aggregate small business loan data shows the top six lenders, all large interstate financial institutions, together held 72% of the market. In addition, 2001 aggregate HMDA data shows the top six lenders, all large interstate financial institutions, held 58% of the market. This creates a difficult competitive environment for a small bank with limited resources, which could affect its ability to generate lending activity.

We utilized the Uniform Bank Performance Report (UBPR) to gauge MNB's general lending activity since the last CRA examination in 1998, which included 17 quarters. The UBPR is a regulatory report that provides quarterly data on similarly situated institutions. The UBPR was used to research loan-to-deposit ratios of the financial institutions located within the assessment area of Rowan County as well as other financial institutions that are considered to be similarly situated in regards to size (i.e. asset and deposit size) and type of rural location. Overall, we reviewed eight banks, one of which was MNB. The average loan-to-deposit ratios for these institutions ranged from 68.73 percent to a high of 103.61 percent that belonged to MNB.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

MNB's overall distribution of home mortgage loans is adequate. There are no low-income geographies in the AA. While MNB is making loans to families within their moderate-income geographies, the percentage of home mortgage originations to families in the moderate-income geographies is lower than the percentage of owner-occupied units in the AA.

MNB's geographic distribution of home purchase originations is adequate. MNB's percentage of home purchase loans to borrowers within the moderate-income geographies is lower than the percentage of owner-occupied units in the AA.

MNB's geographic distribution of home improvement originations is poor. MNB's percentage of home improvement loans to borrowers within the moderate-income geographies is significantly lower than the percentage of owner-occupied units in the AA.

MNB's geographic distribution of refinance originations is good. MNB's percentage of home refinance loans to borrowers within the moderate-income geographies is comparable to the percentage of owner-occupied units in the AA.

Small Loans to Businesses

Refer to Table 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

MNB's geographic distribution of small loans to businesses is poor.

MNB's distribution of small loans to businesses in the moderate-income geographies is lower than the percentage of businesses located in those geographies. MNB's geographic distribution of small loans to businesses is poor.

MNB's distribution of small loans to businesses in the moderate-income geographies is lower than the percentage of businesses located in those geographies.

Small Loans to Farms

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

MNB's geographic distribution of small loans to farms is considered excellent.

MNB's distribution of small loans to farms in the moderate-income geographies exceeds the percentage of farms located in those geographies; however, there are only fifteen small farms in the moderate-income geography.

Lending Gap Analysis

MNB's lending activity of home mortgage loans, small loans to businesses, and small loans to farms was reviewed to identify any gaps in the geographic distribution of those loans. We identified no conspicuous gaps in lending within Rowan County.

Inside/Outside Ratio

An analysis was performed at the bank level as opposed to the AA level. MNB originated 84.21 percent of its small business originations in its AA and 28.57 percent of its small farm originations in its AA. MNB originated 75 percent of its home purchase originations, 84.21 percent of its home improvement originations, and 82.50 percent of its refinance originations in its AA. The bank's level of lending in its AA was considered good and will be factored into the overall conclusion regarding geographic distribution.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 7, 8, and 9 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Overall, MNB's borrower distribution of home mortgage originations is adequate. MNB's performance to both low- and moderate-income borrowers is lower than the percentage of low- and moderate-income borrowers. A high percentage of households below the poverty level and on social security in the AA, as well as a lack of affordable homes available for purchase were taken into consideration when evaluating the bank's performance to both low- and moderate-income borrowers.

MNB's borrower distribution of home purchase originations is good. MNB's percentage of home purchase loans to low-income borrowers is significantly less than the percentage of low-income families in the AA. However, MNB's percentage of home purchase originations to moderate-income families significantly exceeds the percentage of moderate-income families in the AA.

MNB's borrower distribution of home improvement originations is poor. Both the percentage of home improvement loans to low-income borrowers and moderate-income families are significantly lower than the percentage of low- and moderate-income families in the AA.

MNB's borrower distribution of refinance originations is poor. Both the percentage of home refinance originations to low- and moderate-income borrowers is significantly lower than the percentage of low- and moderate-income families in the AA.

Small Loans to Businesses

Refer to Table 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

MNB's borrower distribution of originations of small loans to businesses is excellent.

MNB's percentage of originations to small businesses with revenues of less than \$1 million significantly exceeds the percentage of small businesses with revenues of less than \$1 million located in the AA. MNB originated a substantial percentage of its small loans to businesses in amounts of less than \$100 thousand.

Small Loans to Farms

Refer to Table 11 in the appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

MNB's borrower distribution of originations of small loans to farms is excellent.

MNB's percentage of originations to small farms with revenues of less than \$1 million exceeds the percentage of small businesses with revenues of less than \$1 million located in the AA. MNB originated a substantial percentage of its small loans to farms in amounts of less than \$100 thousand.

Community Development Lending

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. Since the bank reported no CD loans, community development lending performance has a neutral effect on the overall lending test conclusions.

Product Innovation and Flexibility

While MNB offers traditional lending products within their AA, they have also been involved with the Affordable Housing Program through the Federal Home Loan Bank (FHLB). Under this program, they have helped to provide funding for four different projects for a total of \$66 thousand. These projects were for the completion of low-to-moderate income housing units.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in Rowan County is adequate.

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

We reviewed the bank's investments in relation to the available opportunities in the AA and the bank's capacity. We determined there is a low level of opportunity for investments in the AA.

Overall, MNB's investments were primarily donations to the Habitat for Humanity, and to the local medical center that assists low- and moderate-income individuals in medical situations. During the review period the bank made six investments totaling \$4 thousand.

Based upon this information, MNB's volume of qualified investments and responsiveness to identified credit and non-credit needs is adequate. In drawing our conclusion relative to the AA, we placed significant weight on the fact that opportunity to make qualified investments other than donations is limited.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in Rowan County is good.

Retail Banking Services

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

MNB's delivery systems are accessible to essentially all geographies and individuals of different income levels in the AA. Full financial services are offered at each branch and business hours do not vary in a manner that inconveniences any portion of the AA. The bank has an adequate level of community development services. The bank opened one branch during the evaluation period but did not close any branches during this time.

There are no low-income geographies in the AA. MNB has both its main office and its branch located in the same middle-income geography; however, the branches are accessible to low- and moderate-income borrowers.

MNB's hours of operation are reasonable. Monday through Thursday the bank has lobby hours of 8:30 A.M. until 3:00 P.M. with extended lobby hours on Friday. Both the main office and its branch are also open on Saturday morning, 9:00 A.M. to 12 Noon. Drive-through banking is available at both of the branches along with extended hours.

MNB has a total of five ATMs. Two of these ATM's are located at the bank's offices and are full service. The remaining ATMs are cash-dispensing units only. Two of the ATM's are located in moderate-income geographies while the others are located in middle-income geographies. Three of the five ATMs are located at non-bank locations in order to provide convenient access to residents of all income levels, including low- and moderate-income.

MNB has various checking and deposit products for all its customers, including Internet banking service and PhoneSmart, a toll free, 24-hour service providing customers account access including funds transfers, account verification and deposit verification. In addition, the bank also offers free cashing of government checks for bank customers. Non-customers may cash government checks for a minimal fee.

Since the bank could not provide specific information on how low- and moderate-income individuals and moderate-income geographies are impacted by Internet banking service or PhoneSmart, significant weight was not placed on alternate delivery systems when drawing conclusions in the AA.

Community Development Services

MNB's community development services are considered outstanding. Employees of MNB have served on several organizations in the community that provide general services to low- and moderate-income persons as well as help attract businesses and affordable housing to the area. Organizations that MNB participates with includes, but is not limited to:

- Morehead Urban Renewal Commission has been active in building and rehabbing homes for low- and moderate-income families. This organization has worked side-by-side with the Habitat for Humanity and Frontier Housing (a local non-profit organization that helps low- and moderate-income families). A senior bank officer served on this commission and provided financial expertise when needed.
- The Morehead-Rowan Industrial Development Authority's main purpose is to recruit business and industry to the county. The Industrial Authority also brings in businesses and factories that employ mostly low- and moderate-income individuals. This is a regional committee for industrial parks that involves Rowan County, Menifee County, and Morgan County. The committee's main purpose is to bring industry into their region. A senior bank officer has been appointed to this committee and has served on the MMRC Regional Industrial Development Authority as well. The officer provides financial expertise to the organization.
- The Morehead-Rowan County Economic Development Council is a non-profit organization, whose primary purpose is to recruit industry to Morehead and Rowan County. The council consists of the top officials from several Rowan County committees such as the Tourism Committee, the Chamber of Commerce, and the Industrial Authority. Two of the bank's officers have served as a board member of this committee and/or meet with the committee monthly. The officers help provide financial expertise to the council.
- The Morehead-Rowan County Chamber of Commerce's primary purpose is promoting, establishing, and maintaining businesses in Morehead, most of which are small businesses. Several of the bank's employees and/or officers are involved with the Chamber of Commerce with one of the bank's officers serving as President for one term as well as providing financial expertise as necessary.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): 01/01/01 to 12/31/02 Investment and Service Tests and CD Loans: 9/29/98 to 04/16/03	
Financial Institution	Products Reviewed	
Morehead National Bank (MNB) Morehead, Kentucky	Home purchase, home improvement and refinance mortgages. We also reviewed products offered through the FHLB. Small loans to businesses and farms.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Rowan County – Non-metropolitan area	Full Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Rowan County – Non-metropolitan Area.....	B-2
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Rowan County - Kentucky

Demographic Information for Full-Scope Area: Rowan County - Kentucky						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0.00	50.00	50.00	0.00	0.00
Population by Geography	20,353	0.00	36.39	63.61	0.00	0.00
Owner-Occupied Housing by Geography	4,505	0.00	44.66	55.34	0.00	0.00
Businesses by Geography	1,048	0.00	47.14	52.86	0.00	0.00
Farms by Geography	37	0.00	40.54	59.46	0.00	0.00
Family Distribution by Income Level	4,768	29.59	17.58	16.86	35.97	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,249	0.00	51.00	49.00	0.00	0.00
Median Family Income	\$20,354	Median Housing Value		\$45,996		
HUD Adjusted Median Family Income for 2002	\$36,300	Unemployment Rate		4.81%		
Households Below the Poverty Level	30.84%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census, and 2002 HUD updated MFI.

MNB delineated one assessment area, all of Rowan County, in a non-metropolitan area. The AA consists of 4 geographies. There are no low-income geographies. The geographic makeup includes two (50 percent) moderate-income areas and two (50 percent) middle-income areas. The AA is legal and the bank did not arbitrarily exclude any low- and/or moderate-income geographies.

The bank's primary lending focus is home mortgage loans with emphasis also placed on consumer and commercial/commercial real estate loans. MNB also makes loans to small businesses and farms in the area. MNB has its main office located in downtown Morehead and has one other branch located within Rowan County.

Morehead is the largest city as well as the county seat in Rowan County. The city is located in a middle-income geography. Rowan County is a rural county in Eastern Kentucky with a total population of in 20,353 according to the 1990 U.S. Census. That number has risen to approximately 22,094 in 2001. The 1990 population of Rowan County was comprised of 6,718 households, of which 3,218, or 47.90 percent, are considered to have low- or moderate-incomes. In addition, the percentage of households in Rowan County receiving public assistance is approximately 11 percent. Other significant factors to consider include: approximately 31 percent of the households live below the poverty level and 26 percent are on social security.

The economy of the AA is considered to be fairly stable with some improving trends. This is evidenced by an increasing enrollment at the Morehead State University located within Rowan County. In addition, the timber industry continues to be ranked in the top five counties nationally in production; and the industrial park is currently expanding to include new companies. Unemployment rates are currently lower than both the state and national averages (both approximately six percent). According to the U.S. Department of Labor, the unemployment rate for the assessment area was 5.0 percent as of December 2002.

Industry in the area consists of a mixture of services, retail, and manufacturing. The major employers have remained relatively stable over the years. Major employers include Morehead State University, the St. Claire Regional Medical Center, Guardian Automotive, Rowan County schools, the Family Dollar Distribution Center, Sealmaster Bearings, and Carhartt Manufacturing.

Competition is considered strong and involves competition from banks and finance companies. Local competition consists of three banks, a savings & loan, a credit union, and a variety of finance companies. Currently, MNB has the third largest market share of deposits within Rowan County. US Bank is the largest institution within Rowan County and maintains a significant portion of the market share (34 percent). US Bank is headquartered in Minnesota and has assets in excess of \$174 billion along with more than 2000 offices. Consequently, US Bank is a major competitor.

Community development opportunities are considered to be low. Most community development activities are federally and state funded. Locally, the most prominent community development organizations consist of the Morehead-Rowan County Economic Development Council, the Morehead-Rowan County Industrial Authority, Frontier Housing Inc, the Habitat for Humanity, and Christian Social Services. Housing needs are primarily met through services provided by Kentucky Housing Corporation, a federally funded program, that serves the entire state of Kentucky. They provide home loans to low- and moderate-income persons at below market interest rates and require little or no down payment. They also provide homeownership counseling. Habitat for Humanity and Frontier Housing are two local housing initiatives that work for affordable housing. Overall, the city of Morehead has not been active in offering flexible housing programs.

We contacted two community organizations to ascertain the community and credit needs in the AA. The Morehead Rowan County Chamber of Commerce helps bring jobs into the community by serving as a networking tool for businesses in an effort to improve the quality of life in Rowan County, which mainly involves small businesses. They noted the general banking need for affordable mortgages and consumer loans. In addition, they discussed the need for expanding the local industrial park and building a conference center to add to business and tourism. We also spoke to a representative of the Morehead Habitat for Humanity, an organization whose purpose is to serve as a developer, builder, and lender for low-income housing in Rowan County. The Executive Director indicated a need for more affordable home financing locally along with more flexible underwriting criteria for low- and/or moderate-income individuals. In addition to the comments from the community contacts, the bank indicated the need to bring more jobs to the community continues to be an important community development need as well as the need to upgrade the quality of housing in the Morehead area.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: ROWAN COUNTY										Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002	
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)		
Full Review:													
ROWAN COUNTY	100.00	79	\$4,543	32	\$2,554	2	\$55	0	\$0	113	\$7,152	100.00	

* Loan Data as of January 2001 to December 2002 for home mortgages and January 2002 to December 2002 for small business and small farm. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is January 2002 to December 2002.

*** Deposit Data as of June 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: ROWAN COUNTY		Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002												
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total [*]	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	Over all	Low	Mod	Mid	Upp
Full Review:																
ROWAN COUNTY	30	100.00	0.00	0.00	44.66	36.67	55.34	63.33	0.00	0.00	0.00	NA	NA	NA	NA	NA

^{*} Based on Peer Mortgage Data: MA bank is not a HMDA Reporter.

^{**} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

^{***} Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: ROWAN COUNTY				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Home Purchase Loans #	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography						
		% of Total ^{**}	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	% BANK Loans	% Owner Occ ^{***} Units	Over all	Low	Mod	Mid	Upp		
Full Review:																
ROWAN COUNTY	16	100.00	0.00	0.00	44.66	18.75	55.34	81.25	0.00	0.00	0.00	NA	NA	NA	NA	NA

* Based on Peer Mortgage Data: NA bank is not a HMDA Reporter.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: ROWAN COUNTY		Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Home Mortgage Refinance Loans	Low-Income Geographies		Moderate-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography						
	#	% of Total**	% Owner Occ... Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Upp		
ROWAN COUNTY	33	100.00	0.00	0.00	44.66	42.42	55.34	57.58	0.00	0.00	NA	NA	NA	NA

Full Review:

* Based on Peer Mortgage Data: NA bank is not a HMDA Reporter.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: ROWAN COUNTY		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002		Market Share (%) by Geography								
MA/Assessment Area:	Total Small Business Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Businesses	% of BANK Loans	% of Businesses	% of BANK Loans	% of Businesses	% of BANK Loans	% of Businesses	% of BANK Loans					
Full Review:														
ROWAN COUNTY	32	100.00	0.00	0.00	47.14	21.87	78.13	52.86	0.00	0.00	NA	NA	NA	NA

* Based on Peer Small Business Data: US. NA, peer data not yet available.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

... Source Data - Dun and Bradstreet (2002).

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		Geography: ROWAN COUNTY				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Small Farm Loans #	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography						
		% of Farms	% of BANK Loans	% of Farms	% of BANK Loans	% of Farms	% of BANK Loans	% of Farms	% of BANK Loans	Overall	Low	Mod	Mid	Upp		
Full Review:																
ROWAN COUNTY	2	100.00	0.00	0.00	40.54	50.00	50.00	59.46	50.00	0.00	0.00	0.00	NA	NA	NA	NA

* Based on Peer Small Business Data: US. NA, peer data not yet available.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

... Source Data - Dun and Bradstreet (2002).

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: ROWAN COUNTY										Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{**} *	% BANK Loans ^{****}	% Families ^{**}	% BANK Loans ^{****}	% Families [*] **	% BANK Loans ^{****}	Over all	Low	Mod	Mid	Upp
Full Review:															
ROWAN COUNTY	30	100.00	29.59	6.66	17.58	26.67	16.86	26.67	35.97	40.00	NA	NA	NA	NA	NA

^{*} Based on Peer Mortgage Data: NA, bank is not a HMDA Reporter.
^{**} As a percentage of loans with borrower income information available.
^{***} Percentage of Families is based on the 1990 Census information.
^{****} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: ROWAN COUNTY				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
ROWAN COUNTY	16	100.00	29.59	6.25	17.58	12.50	16.86	18.75	35.97	62.50	NA	NA	NA	NA	NA

Full Review:

* Based on Peer Mortgage Data: NA, bank is not a HMDA Reporter.
 ** As a percentage of loans with borrower income information available.
 *** Percentage of Families is based on the 1990 Census information.
 **** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: ROWAN COUNTY		Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share			
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Share
ROWAN COUNTY	33	100.00	29.59	3.03	17.58	12.12	16.86	21.21	35.97	63.64	NA	NA	NA	NA

Full Review:

* Based on Peer Mortgage Data: NA, bank is not a HMDA Reporter.
 ** As a percentage of loans with borrower income information available.
 *** Percentage of Families is based on the 1990 Census information.
 **** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: ROWAN COUNTY		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002		Market Share				
MA/Assessment Area:	Full Review:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size				
		#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000		
ROWAN COUNTY		32	100.00	74.43	90.63	71.87	21.88	6.25	NA	NA

* Based on Peer Small Business Data: US. NA, peer data not yet available.
 ** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.
 *** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).
 **** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: ROWAN COUNTY		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002					
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Market Share				
	#	% of Total**	% of ... Farms	% BANK Loans***					
		Farms by Original Amount Regardless of Farm Size							
		\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All				
					Rev \$1 Million or Less				
Full Review:									
ROWAN COUNTY	2	100.00	97.30	100.00	100.00	0.00	0.00	NA	NA

* Based on Peer Small Business Data: US. NA, peer data not yet available.
 ** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.
 *** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).
 **** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		Geography: ROWAN COUNTY		Evaluation Period: SEPTEMBER 29, 1998 TO DECEMBER 31, 2002					
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments		Unfunded Commitments		
	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
Full Review:									
ROWAN COUNTY	0	\$0	6	\$4	6	\$4	100.00	0	\$0

.. *Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.
 ... **Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

