



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

June 28, 1996

Boatmen's National Bank of South Arkansas
Charter Number 14096
116 Jefferson Street
Camden, Arkansas 71701

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 Boatmen's National Bank of South Arkansas, Camden, Arkansas, 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 June 28, 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.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Block Numbering Area (BNA) - Large, locally defined statistical areas outside a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations.

Boatmen's Bancshares, Inc. (BBI) - BBI is the parent company of Boatmen's Arkansas, Inc. (BAI). BAI is the holding company for Boatmen's National Bank of South Arkansas, as well as ten other Boatmen's banks in the state of Arkansas.

Boatmen's National Mortgage, Inc. (BNMI) - BNMI is a mortgage company that is a wholly-owned subsidiary of The Boatmen's National Bank of St. Louis. BNMI was acquired in February 1995.

Boatmen's National Bank of South Arkansas (BNBSA)

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. [THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U. S. C. 2901, AS AMENDED AND 12 C. F. R. 25, AS AMENDED.]

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancings of home purchase and home improvement loans, and loans for the purchase of multi-family (5 or more units) dwellings. [THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U. S. C. 2801, AS AMENDED AND 12 C.F.R. 203, AS AMENDED.]

Low- and Moderate-Income (LMI) - Income levels which are less than 80% of the median family income.

Median Family Income - The median income determined by the United States Census Bureau. This figure is based on estimations developed by the Department of Housing and Urban Development and is updated annually.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

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 record of meeting community credit needs.

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

DISCUSSION OF INSTITUTION'S PERFORMANCE

Based on the findings presented below, this institution is rated: "Outstanding Record of Meeting Community Credit Needs." The evaluation period covers August 26, 1993 through June 28, 1996.

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Outstanding because:

- BNBSA was a leader in small business and residential mortgage loans originated within its delineated community.
- BNBSA had a very high volume of consumer loans.
- BNBSA exceeded expectations in making small dollar loans to consumers.
- Participation in governmentally-insured, guaranteed, or subsidized loan programs for housing and small businesses is strong.

REASONABLENESS OF THE DELINEATED COMMUNITY

BNBSA's delineated community is reasonable and meets the purpose of the CRA. It does not exclude any LMI neighborhoods.

The bank's delineated community is Ouachita and Columbia Counties, and the western one-half of Calhoun County, Arkansas. The geographic regions used to segment the community are reasonable to determine loan penetration.

COMMUNITY PROFILE

Based on 1990 U.S. Census information, the three counties have a total population of 60,610, with 59,827 located within the bank's delineated community. The median family income for Ouachita County is \$26,777, Columbia County is \$23,360, and Calhoun County is \$25,048. The HUD 1995 statewide non-metropolitan median family income is \$26,700. There are 12 BNAs in the bank's delineated community. Of the twelve, none are low-income, one is moderate-income, five are middle-income and six are upper-income.

The local economy is dependent upon the timber, paper, and defense industries. Principal employers include International Paper, Sequa Corporation (Atlantic Research Corp), and Tracor Aerospace, Inc.

BANK PROFILE

BNBSA is a full-service retail bank with six branch locations. The bank's main office is located in downtown Camden, with branches in East Camden, Chidester, Magnolia, Waldo, the Cardinal shopping center, and West Washington in Camden. As of March 31, 1996, assets totaled \$116 million. The bank's primary business focus is consumer lending. The overall distribution by loan types as of December 31, 1995, is: consumer 62%, commercial 20%, and real estate 18%. The bank's average loan-to-deposit ratio for the last nine quarters ending March 31, 1996, is 44.45%, compared to competitors' ranges of 44% to 52%.

The bank's major competitors in Ouachita and Calhoun Counties include branches of a national bank and a state bank, a savings & loan association, and a federal credit union. Additional competition in Columbia County includes one national bank and two state banks.

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.

BNBSA had ongoing and meaningful contact with officials and leaders from city, state, county, and government agencies. Management regularly collected and analyzed demographic data in relation to its lending activities. Senior management performed regular and systematic reviews of lending services.

BNBSA regularly assessed credit needs through a combination of community contacts, customer surveys, and the officer call program. Directors, officers, and employees were active in a wide range of religious, civic, and non-profit organizations within the bank's community. Examples include: Camden Area Industrial Development Corporation, the Camden Area Chamber of Commerce, the Magnolia/Columbia County Chamber of Commerce, and the Columbia County Industrial Development Commission. Additionally, the bank maintains an active officer call program. Officers call on individuals and businesses throughout the community to inform them of bank products and services and to determine credit needs.

Management identified several credit needs that we confirmed through our community outreach. Consumer loans, as well as residential mortgage and small business loans, were identified as high priorities within the community.

BNBSA was responsive to the credit needs of LMI individuals. Their efforts were demonstrated in the flexible credit terms and lending criteria available to LMI families and through the extension of a large volume of low dollar loans. New products included low

interest rate loans and small dollar loans for LMI families, retail dealer loans, home improvement loans, and home purchase loans through the Arkansas Development Finance Authority (AFDA).

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 CRA.

CRA is a demonstrated and important component of the Board of Director's planning process. The Board of Directors and senior management maintained a proactive attitude and a high degree of involvement in and support of the CRA process and purpose.

The Board of Directors and senior management adopted and annually reviews a formal CRA Policy which includes the goal of ascertaining the credit needs of the community. Annually, the Board receives reports summarizing CRA activities and prepares a self-assessment of compliance with the CRA Policy.

Directors and officer are personally involved in activities and groups designed to develop, improve, and enhance the local community.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

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

Senior management implemented a sound marketing and advertising program that ensures products and services are communicated to the entire delineated community, including LMI neighborhoods. Advertisements are designed to stimulate awareness of credit services.

Management has an active officer and employee call program that has proven effective within the community. Officers make calls on individuals and businesses within the community to inform them of credit products and services offered. Employees telephone customers to follow-up on their banking experience and ask about satisfaction levels relating to the services provided. Officers and directors attended scheduled luncheon meetings with the Black Ministerial Council to discuss needs, services, and concerns of the community.

Advertisements were offered through local newspapers, radio and television stations, and free publications, all of which inform LMI individuals of the bank's products and services. Additionally, bank personnel assisted individuals in understanding and applying for credit when needed.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community. Lending levels reflect a strong responsiveness to credit needs as demonstrated by the volume and number of residential mortgage, consumer, and small business loans originated.

Over the past two years, the bank originated 1,009 residential real estate mortgage loans. The following table provides a breakdown of those loans:

TYPES OF LOANS	NUMBER	AMOUNT (000's)
Purchases	587	\$14,634
Refinance	178	\$2,662
Home Improvement	244	\$1,229
TOTALS	1,009	\$18,525

In addition to the above, the bank originated 726 small business loans each less than \$1,000,000, totaling \$17,884M, and 54 small farm loans each less than \$500M, totaling \$464M. The bank offers a wide variety of credit products to meet the credit needs of the community. BNBSA recently began promoting home equity term loans and lines of credit. The service is not new to the community but the bank has enhanced this product and is now offering up to 100% financing of equity to the borrower. The margin above 80% loan-to-value is underwritten by mortgage insurance at no cost to the borrower.

The types of credit offered were responsive to the community's needs. For example, the bank does not have a minimum loan amount. The bank exceeds expectations in making small dollar loans to consumers. The majority of these loans are dealer contract loans to purchase appliances, furniture, and/or used cars. Other purposes include lending for burial expenses, medical bills, weddings, car repairs, vacations, and tax expenses. The following chart represents loans under \$2,500 made in 1994 and 1995:

LOANS UNDER \$2,500			
RANGE	# OF LOANS ORIGINATED	ORIGINATION AMOUNT (000's)	% OF TOTAL ORIGINATED
\$400 to \$1,500	619	\$428	2%
over \$1,500 to	1,632	\$2,999	9%
TOTALS	2,251	\$3,427	11%

Approximately, 91% of the bank's loans and deposits and 90% of credit denials are within the bank's delineated community. The loans, deposits, and denial ratios are internally tracked and reported to the Board.

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

BNBSA actively participates in governmentally-insured, guaranteed, or subsidized loan programs. The bank is a leader within its delineated community in government participation programs.

Participation in governmentally-insured, guaranteed, or subsidized loan programs for housing, small business, and small farm loans is superior to other banks in the area. During 1994 and 1995, the bank originated 176 governmentally-insured, guaranteed, or subsidized loans for a total of \$8,747M.

BNBSA was very active in originating residential mortgage loans. Mortgage products included conventional mortgages, Fair Housing Administration (FHA) mortgages, Veterans Affairs (VA) mortgages, FHA Title I home improvement loans, and ADFA bond money loans used to finance residential purchases and refinancing. In addition, the bank offers Small Business Administration (SBA) loans and guaranteed student loans. The bank is an approved FHA, VA, and a certified SBA lender. The majority of FHA and ADFA loans generated are sold to the secondary market. The bank was the first in the delineated community to offer SBA loans, FHA Title I home improvement loans, long term fixed rate FHA and VA home mortgage loans, and ADFA bond money loans for low income borrowers to purchase homes.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

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

The geographic distribution of credit extensions, applications, and denials demonstrated a reasonable penetration in all segments of the delineated community, including LMI neighborhoods.

BNBSA's analysis of loan distribution indicates loans originated, outstanding, and denied are reasonably distributed throughout the bank's delineated community. We also reviewed loan penetration patterns using the bank's annual State of Arkansas Reciprocal Banking Act Report. Our analysis of this Report also reflects excellent penetration throughout the bank's delineated community. Additionally, approval and denial ratios show very little disparity within the various market areas.

The Board and senior management regularly analyze the geographic distribution of credit extensions and denials in an effort to treat all loan applicants fairly and in a nondiscriminatory manner. The Board and senior management monitor the geographic distribution of loans and denials through the use of geo-coding. Zip Codes are also used for analysis on a regular basis.

The bank is not in a MSA but they do report HMDA data to the Department of Housing and Urban Development on FHA loans. They also report to the State of Arkansas under the Arkansas Regional Reciprocal Banking Act by Zip Codes.

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

All offices provide reasonable access to all segments of the delineated community. Business hours are tailored to the convenience and needs of the community. Branch opening/closing activities have not adversely affected the level of service available to the community, including LMI neighborhoods.

Two branches, Magnolia and Waldo, were acquired during the past three years. No offices have been closed since the prior CRA examination. BNBSA's opening and closing policy is reviewed and approved annually by the Board.

The Board and management periodically review the hours and services offered at each branch. Management stated the East Camden branch operates with flexible hours to provide services on special occasions (i.e. payment of bonuses to employees working in the industrial

park). Additionally, three of the branches have automated teller machines to provide after hours services.

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).

No discriminatory practices with the intent to discourage applications were noted during this examination. The bank actively solicits credit applications from all segments of its delineated community.

No discriminatory practices were noted. Credit applications and extensions were noted from all segments of the community, including LMI neighborhoods. Staff members attended seminars and programs offered in various areas of banking, including those designed to prevent inadvertent discriminatory practices or disparate treatment.

Officers and staff received in-house training and training goals are set forth in the CRA Policy. Policies and procedures have been designed to assess compliance with anti-discrimination laws and regulations.

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

BNBSA is in compliance with anti-discriminatory laws and regulations. We did not identify any evidence of disparate treatment on a prohibited basis.

We performed an analysis of the bank's Self-Assessment of Fair Lending. Our review did not identify any instances of discriminatory practices or procedures. There have been no complaints concerning the acceptance of applications and granting of credit filed with the OCC. Additionally, the bank's CRA Public File did not contain any complaints.

V. COMMUNITY DEVELOPMENT

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

BNBSA took a leadership role in promoting and participating in community development projects and programs.

Management and the Board take a proactive role in seeking community development opportunities. In addition to funding development activities, the bank invests in government

programs, and municipal bonds. Investments in state municipal bonds represent 51% of the total bond portfolio. Board members serve on economic development boards and civic organizations. Through these affiliations, the bank is able to participate in development, redevelopment, and revitalization activities that have benefited the delineated community. Examples include: the creation of jobs by relocating the Fiber Optic Park (industrial park) to Camden; the Main Street project; and the River Development project. The bank has been active in helping relocate businesses to the Camden area and meet the borrowing needs of those companies.

The bank has three representatives on the Ouachita County Economic Development Task Force. This is a multi-year project with broad community involvement and potential impact. The bank is the leading lender in the ADFA mortgage program. This is a state agency that funds various economic development issues targeted to areas of economic need. The bank offers bond money loans through this agency for purchasing residential property.

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

There are no constraints on the bank's ability to assist in meeting community credit needs. BNBSA's efforts to meet its communities credit needs are consistent with its size and financial resources.

BNBSA has demonstrated its commitment to help meet the community's credit needs through small business, residential, retail, and community development lending.

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.

BNBSA engaged in several other meaningful activities which compliment its efforts to meet the community's credit needs.

BNBSA is a community-oriented bank with a personal relationship with its customers. The majority of the staff have lived in this area all of their lives and are very knowledgeable of the community and its needs. The staff frequently donated time and the bank donated funds to community groups and local charities.

ADDITIONAL INFORMATION

BNBSA is not in a MSA or subject to the reporting requirements of the HMDA.

The Office of the Comptroller of the Currency is responsible for supervising BNBSA. Members of the public can contact this agency with questions, concerns, or issues. The address is:

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