



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 30, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Mercantile Bank National Association
Charter Number 23172
721 Locust
St. Louis, Missouri 63101**

**Supervisory Agency: Office of the Comptroller of the Currency
Large Bank Supervision
250 E Street, SW
Washington, D.C. 20219-0001**

<p>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.</p>

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GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

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

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

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gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn).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, refinancing 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.)*

Income Levels - These relate to individuals, families or the CTs in a MSA.

Low = An income level that is less than 50% of the median income.

Moderate = An income level that is at least 50% and less than 80% of the median income.

LMI = An income level that is less than 80% of the median income.

Middle = An income level that is at least 80% and less than 120% of the median income.

Upper = An income level that is 120% or more of the median income.

Median Family Income - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Mercantile Bancorporation, Inc. = MBI. MBI is the parent company of Mercantile. **Mercantile Bank will get credit for some of MBI's activities, such as qualified community development investments, which benefit this AA. In no case will Mercantile Bank get credit for a specific CRA activity of MBI if another of MBI's subsidiary banks is also getting credit for that same activity in the same location.**

Mercantile Bank National Association, St. Louis, Missouri = Mercantile.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Small Business or Small Farm - A business or farm that has \$1,000,000 or less in gross annual revenues.

Small Loan to a Business or Farm - A loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size.

General Information

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

This document is an evaluation of the CRA performance of **Mercantile Bank National Association, St. Louis, Missouri (Mercantile)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 30, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory Record of Meeting Community Credit Needs.**" This evaluation covers the time period from May, 1995 (the date of the last evaluation) through June 30, 1997. It includes calendar years 1995 and 1996 with respect to HMDA-reportable mortgage loan products. The evaluation covers calendar year 1996 for small business and small farm loans, since it was the first year such data was required to be collected and reported under the revised CRA regulation. We included community development loans, investments and services from May, 1995 through the close of the examination on June 30, 1997.

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

Performance Levels	Mercantile Bank National Association		
	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs To Improve			
Substantial Noncompliance			

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

Community Reinvestment Act Performance Evaluation

Mercantile Bank National Association, St. Louis, Missouri

We rated the bank's CRA performance "Satisfactory" because **Mercantile**:

- originated and purchased a high volume of HMDA loans and loans to small businesses which reflected good responsiveness to community credit needs.
- originated 98% of its HMDA and 73% of its small loans to businesses within the St. Louis MSA.
- had very good distribution of HMDA and small business loans among borrowers of different income levels and satisfactory distribution for CTs of different income levels.
- made a significant level of qualified community development grants in support of community organizations.
- is a leader in providing community development services, including home-buyer education.
- complies with anti-discrimination laws.

We are required by the revised regulation to discuss the bank's performance in any MSA where the bank has at least one branch. We must also discuss the bank's performance in its AA(s) if that area is different from the MSA. Mercantile's performance in its AA is consistent with its performance in the MSA. Please refer to the separate section discussing the Assessment Area for additional details.

DESCRIPTION OF INSTITUTION

Mercantile is a wholly owned subsidiary of MBI. Mercantile offers a full range of commercial and industrial, real estate, and consumer credit products. The bank extends only small amounts of credit for agricultural purposes due to its urban location and customer base. The bank has 44 branch offices and 101 Automated Teller Machines (ATMs) located throughout its AA. During the evaluation period, Mercantile was the second largest commercial bank in the St. Louis MSA. Boatmen's National Bank of St. Louis, now Nationsbank, was the largest bank with approximately \$12 billion in assets on December 31, 1996.

There are no impediments to Mercantile's ability to help meet the credit needs of its local communities. Total assets were \$7.6 billion on December 31, 1996, with a return on assets of 1.22%. The bank's loan-to-deposit ratio on that date was 90.9%. The loan portfolio consisted of the following types of credit: 41% in mortgage loans on one- to four-family residential real estate; 9% in other real estate loans on farms, multi-family and commercial real estate; 30% in commercial loans; 12% in consumer and credit card loans; and 8% in all other loans. Lending to small farms is not one of Mercantile's business strategies in the St. Louis MSA. The CTs in the St. Louis MSA are predominantly urbanized with barely one percent of the households engaged in self-employed farming.

MBI acquired Mark Twain Bancshares, Inc. (Mark Twain) during the course of the examination. We did not include HMDA or small business loans from that bank in this evaluation. We did include Mark Twain's community development lending and qualified investments for 1997. MBI also acquired

Roosevelt Financial Group, Inc. (Roosevelt) after the evaluation period closed on June 30, 1997. We did not include any activity from Roosevelt in this evaluation.

MSA

We considered the bank's performance in the Missouri portion of the St. Louis MO-IL MSA because the bank only has branches in the Missouri portion of the MSA (St. Louis MSA). The St. Louis MSA includes 343 CTs, of which 40 (12%) are low-income, 65 (19%) are moderate-income, 150 (43%) are middle-income, 85 (25%) are upper-income and 3 (1%) did not report income. The 1990 median family income is \$37,995. The 1996 updated family median income is \$46,900. The St. Louis MSA has a population of about 2 million and 506,517 families. The family breakdown by income level is: 18% low-income; 17% moderate-income; 25% middle-income; and 40% upper-income. The unemployment rate is 3% in the St. Louis MSA. Major industries in the area include aerospace, automobile assembly, construction, food and beverage, education, and health services.

ASSESSMENT AREA

Bank management delineated one AA which includes the majority of the St. Louis MSA. Specifically it consists of St. Louis City, St. Louis County, St. Charles County, and Jefferson County. The AA includes 325 CTs, of which 40 (12%) are low-income, 60 (19%) are moderate-income, 137 (42%) are middle-income, 85 (26%) are upper-income, and 3 (1%) did not report income. The AA includes 100% of the low- and upper-income CTs in the St. Louis MSA, 92% of the moderate-income, and 91% of the middle-income CTs. The updated 1996 median family income is \$46,900. The AA has a population of about 1.7 million and 469,175 families. The family breakdown by income level is: 18% low-income; 17% moderate-income; 24% middle-income; and 41% upper-income.

The differences between the makeup of the AA and the St. Louis MSA are minimal. There are an additional 18 CTs in the St. Louis MSA than in the AA. These CTs are located in the four rural counties of the St. Louis MSA - Crawford, Franklin, Lincoln, and Warren. The bank does not have any branches in these CTs. Five of the CTs are moderate-income and the remaining 13 are middle-income. Because the AA and the St. Louis MSA are so close in size, there were no significant differences in performance between the AA and the St. Louis MSA. Our conclusions in the St. Louis MSA are consistent with those for the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Mercantile's lending levels for HMDA, small business, and community development loans reflect good responsiveness to the St. Louis MSA's credit needs. We identified the most pressing community credit needs as home purchase, home improvement and small business loans through a number of community contacts that we made and reviewed during the evaluation.

Community Reinvestment Act Performance EvaluationMercantile Bank National Association, St. Louis, Missouri

HMDA LOAN ORIGINATIONS AND PURCHASES***LENDING ACTIVITY (HMDA):***

Mercantile's volume of HMDA-reportable loans reflects good responsiveness to area credit needs. The bank was particularly responsive to the need for conventional home purchase loans. The following table displays Mercantile's originations and purchases of HMDA loans in the St. Louis MSA.

St. Louis MSA

LOAN TYPE	1995		1996	
	#	\$ (000)	#	\$ (000)
Conv. Home Purchase	2,709	294,998	2,878	321,524
Govt. Home Purchase	493	37,456	564	45,004
Refinance	657	68,912	1,244	130,722
Home Improvement	881	15,611	1,015	18,424
Multi Family	5	663	7	9,673
Totals	4,745	417,640	5,708	525,347

The bank originated a substantial majority of its HMDA-reportable loans within the St. Louis MSA. For both years, the bank originated 98% of its HMDA-reportable loans inside the St. Louis MSA and 97% within its AA. The bank successfully penetrated a substantial majority of the CTs within its AA. Mercantile originated or purchased HMDA-reportable loans in 294 of the 325 CTs in its AA in 1995. Mercantile originated or purchased HMDA-reportable loans in 296 of the 325 CTs in 1996.

GEOGRAPHIC DISTRIBUTION (HMDA):

Distribution by Borrower Income: Mercantile's distribution of HMDA-reportable loan originations and purchases to borrowers of different income levels was good for both years we reviewed. We compared the percentage of loans made and purchased at each income level to the percentage of families at those income levels.

The bank's distribution of loans to low-income borrowers is comparable to the market's distribution (all loans made in the MSA by all lenders, also referred to as "aggregate") of loans to low-income borrowers. The bank's number of originations to low-income borrowers increased by 32% from 1995 to 1996. The bank's distribution of loans to moderate-, middle-, and upper-income borrowers was consistent with the MSA's percentages of families in those income categories and with the market distribution by all lenders. The bank's number of originations and purchases to moderate-income borrowers increased by 22% from 1995 to 1996. The increases in the numbers of loans to middle- and upper-income borrowers were 24% and 10%, respectively.

Community Reinvestment Act Performance EvaluationMercantile Bank National Association, St. Louis, Missouri

The following table supports these findings. It shows the volume of the bank's HMDA originations and purchases by borrower income along with the percentages of originations and purchases at each income level for the bank and market distribution (aggregate).

HMDA Loan Originations and Purchases to Borrowers of Different Income Levels, Including % of Bank's Portfolio and % of Market's Distribution at Each Income Level

Borrower Income	% of families in MSA	1995			1996		
		#	% Aggregate	% Bank	#	% Aggregate	% Bank
Low	11% *	370	10%	8%	487	**	9%
Moderate	17%	797	19%	17%	969	**	17%
Middle	25%	1200	23%	25%	1,504	**	26%
Upper	40%	1978	33%	42%	2,207	**	39%
Inc Not Avail	NA	400	15%	8%	541	**	9%
Totals	93% *	4,745	100%	100%	5,708	**	100%

*Market demographics indicate that approximately 37,500 families are below the poverty level. We adjusted the percentage (18%) of families who are low-income by excluding the families who are below the poverty level because they would not qualify for credit. This resulted in approximately 11% of total families in the MSA, designated as the low-income families, that could potentially become home loan borrowers.

** Aggregate market data for 1996 not available at time of evaluation

The following table shows Mercantile's distribution of HMDA-reportable loans by product type and borrower income levels for 1995 and 1996. The percentages represent the portion of total loans of that type made at each income level. The bank's distribution of government home purchase loans to moderate-income borrowers was especially strong at 33% in 1995 and 1996, exceeding the distribution of moderate-income families at 17%. The bank's distribution of home improvement loans to low- and moderate-income borrowers also exceeded the distribution of families at those income levels. When the bank's lending to borrowers of different income levels is compared with only other commercial banks, instead of all reporting lenders in the market, the bank ranked either number 1 or 2 at all income levels for conventional home purchase, government home purchase, and refinance loans. It continued to rank number 3 for home improvement loans.

Community Reinvestment Act Performance Evaluation

Mercantile Bank National Association, St. Louis, Missouri

All HMDA Loan Originations and Purchases By Borrower Income for Each Product Type

	Conv. Home Purchase		Govt. Home Purchase		Refinance		Home Improvement		Totals	
	#	%	#	%	#	%	#	%	#	%
Low-Income 1995	188	7%	38	8%	43	7%	101	12%	370	8%
1996	222	8%	58	10%	67	5%	140	14%	487	9%
<i>Percent of low-income families within the total population, excluding those below the poverty level = 11% *</i>										
Moderate-Income 1995	392	14%	164	33%	81	12%	160	18%	797	17%
1996	440	15%	188	33%	160	13%	181	18%	969	17%
<i>Percent of moderate-income families within the total population = 17%</i>										
Middle-Income 1995	653	24%	187	38%	128	19%	232	26%	1,200	25%
1996	746	26%	214	38%	250	20%	294	29%	1,504	26%
<i>Percent of middle-income families within the total population = 25%</i>										
Upper - Income 1995	1,190	44%	98	20%	305	47%	385	44%	1,978	42%
1996	1,239	43%	3	17%	482	39%	393	39%	2,207	39%
<i>Percent of upper-income families within the total population = 40%</i>										
Income Not Available 1995	286	11%	6	1%	100	15%	3	<1%	400	8%
1996	232	8%	11	2%	285	23%	7	<1%	541	9%

The bank's origination and purchase of conventional home purchase loans to low- and moderate-income borrowers reflects a positive trend. The following table shows the bank's market share by borrower income and product type.

Community Reinvestment Act Performance Evaluation

Mercantile Bank National Association, St. Louis, Missouri

1995 Market Share by Borrower Income Level

	Conv. Home Purchase		Govt. Home Purchase		Refinance		Home Improvement	
	Bank's Market Share	Rank/Total # Lenders Reporting	Bank's Market Share	Rank/Total # Lenders Reporting	Bank's Market Share	Rank/Total # Lenders Reporting	Bank's Market Share	Rank/Total # Lenders Reporting
Low-Income	8.88%	2/158	2.51%	13/63	2.72%	8/159	8.02%	3/84
Moderate-Income	8.97%	1/192	5.23%	5/72	2.82%	7/187	8.74%	3/90
Middle-Income	10.28%	1/208	6.02%	3/73	2.98%	5/204	8.47%	3/88
Upper - Income	11.27%	1/232	7.68%	2/69	4.64%	1/213	10.81%	3/105
Total	10.57%	1/286	4.31%	2/73	3.68%	4/261	9.15%	3/125

Aggregate market share data for 1996 not available at time of evaluation

Distribution by Income Levels of CT: The distribution of HMDA-reportable loans among CTs of different income levels reflected good penetration throughout the St. Louis MSA. We compared the percentage of loans made and purchased at each income level to the percentage of the St. Louis MSA's CTs at each income level and the percentage of owner-occupied housing within CTs at each income level.

While 12% of the CTs in the St. Louis MSA are low-income, approximately 38% of the families living in these CTs are below the poverty level. Only 3% of the owner-occupied housing in the St. Louis MSA is in these CTs. In the moderate-income CTs, 18% of the families are below the poverty level. Approximately 12% of the owner-occupied housing in the St. Louis MSA is within moderate-income CTs. High levels of families below the poverty level and low levels of owner-occupied housing limit a bank's ability to make HMDA loans in these CTs.

The following table indicates that the bank's distribution of loans in CTs of different income levels is generally comparable with the market distribution (distribution of all lenders in the St. Louis MSA). The table shows the volume and percentages of HMDA loans originated and purchased by Mercantile and the aggregate market in CTs of each income level within the St. Louis MSA.

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All HMDA Loan Originations and Purchases By Income Level of CT, Including % of Bank's Portfolio and % Market Distribution

CT Income	% of CTs in MSA	% Owner-occupied Housing	1995			1996		
			#	% Bank	% Agg.	#	% Bank	% Agg.
Low	12%	3%	49	1%	2%	46	1%	*
Moderate	19%	12%	216	5%	10%	275	5%	*
Middle	43%	50%	1,779	38%	47%	2,267	40%	*
Upper	25%	35%	2,668	56%	41%	3,111	55%	*
NA *	1%	NA	33	1%	<1%	9	NA	*
Total	100%	100%	4,475	100%	100%	5,708	100%	*

* Aggregate market data for 1996 not available at time of evaluation

The following table shows Mercantile's distribution of HMDA-reportable loans by product type and income levels of CTs for 1995 and 1996. The percentages represent the portion of total loans of that type made in CTs at each income level.

All HMDA Loan Originations and Purchases By Income of CT for Each Product Type

		Conv. Home Purchase		Govt. Home Purchase		Refinance		Home Improvement	
		#	%	#	%	#	%	#	%
Low-Income	1995	16	<1%	4	1%	6	1%	23	3%
	1996	16	<1%	3	1%	1	<1%	26	2%
<i>Percent of Owner-occupied Housing in Low-Income CTs = 3%</i>									
Moderate-Income	1995	95	4%	33	7%	22	4%	65	7%
	1996	99	4%	47	8%	41	3%	88	9%
<i>Percent of Owner-occupied Housing in Moderate-Income CTs = 12%</i>									
Middle- Income	1995	940	35%	278	57%	231	35%	326	37%
	1996	1,021	36%	295	52%	499	40%	448	44%
<i>Percent of Owner-occupied Housing Middle-Income CTs = 50%</i>									
Upper - Income	1995	1,636	61%	174	35%	393	60%	465	53%
	1996	1,736	60%	219	39%	702	57%	451	45%
<i>Percent of Owner-occupied Housing in Upper-Income CTs = 35%</i>									

Community Reinvestment Act Performance Evaluation

Mercantile Bank National Association, St. Louis, Missouri

Mercantile's market share of HMDA loans is responsive to AA's credit needs. These findings are supported by the following table. When the bank's lending in CTs of different income levels is compared with only other commercial banks instead of all reporting lenders in the market, the bank generally ranked number 1 at all income levels for conventional home purchase, government home purchase, and refinance loans. The only exceptions were loans in low-income CTs for conventional home purchase loans when Mercantile ranked number 3 and refinance when it ranked number 5. The bank ranked between number 2 and number 4 for home improvement loans.

1995 Market Share by Income Level of CT

	Conv. Home Purchase		Govt. Home Purchase		Refinance		Home Improvement	
	Bank's Market Share	Rank/Total # Lenders Reporting	Bank's Market Share	Rank/Total # Lenders Reporting	Bank's Market Share	Rank/Total # Lenders Reporting	Bank's Market Share	Rank/Total # Lenders Reporting
Low-Income	6.37%	4/68	2.67%	13/39	1.24%	17/71	7.93%	4/39
Moderate-Income	5.34%	2/171	2.58%	14/72	1.27%	16/161	5.80%	3/72
Middle-Income	8.81%	1/243	4.15%	7/89	2.83%	7/224	7.44%	3/104
Upper-Income	13.21%	1/222	5.40%	4/77	5.57%	2/212	12.79%	2/84
Total	10.57%	1/286	4.31%	2/69	3.68%	4/261	9.15%	3/125

Aggregate market share data for 1996 not available at time of evaluation

In addition to the home loans Mercantile extended directly, it met LMI housing loan needs by providing financing to mortgage companies which used the funds to make home loans in the St. Louis MSA. Since April 1995, the bank provided \$241 million in draws through warehousing lines of credit to three mortgage companies which serve the St. Louis area. In 1995, these mortgage companies together originated 3,877 loans totaling \$301 million, representing approximately 7% of the aggregate market's HMDA loans.

Of the HMDA loans made in the St. Louis MSA by these companies, two of the lenders made 44% of their total HMDA originations, by number, to LMI borrowers. The third lender made 24% to LMI borrowers. The three lenders made between 8 and 14% of their HMDA loans in LMI CTs. Two of these mortgage companies are market leaders in government home purchase loans, consistently ranking between #1 and #3 in lending to LMI borrowers and between #1 and #5 in LMI CTs.

These three mortgage lenders had strength in government home purchase lending and already had established networks for delivering those products. Extending warehousing lines to them was an efficient and timely way to make additional funding for those products available to LMI borrowers and in LMI CTs in the St. Louis MSA.

SMALL BUSINESS AND SMALL FARM ORIGINATIONS AND PURCHASES

LENDING ACTIVITY (Small Businesses/Small Farms):

Mercantile’s origination and purchase of small loans to businesses reflected good responsiveness to commercial credit needs in its AA and the St. Louis MSA. A high percentage of the number of loans Mercantile extended and purchased were located in the AA and the St. Louis MSA. The small loans to businesses in the AA and the St. Louis MSA represented over half of the dollar volume of all the small loans to businesses Mercantile made and purchased during 1996.

The following table displays the number and dollar volume of originations and purchases inside and outside Mercantile’s AA and the St. Louis MSA.

Small Loans to Businesses Originated and Purchased in 1996

LOCATION	# of Loans	% of # Total	\$ (000's) Volume of Loans	% of \$ Volume
Mercantile AA	1,133	72.21%	\$200,342	54.15%
St. Louis MSA	1,151	73.36%	\$204,035	55.15%
Outside MSA	418	26.64%	\$165,916	44.85%
Total Originations and Purchases in 1996 *	1,569	100.00%	\$369,951	100.00%

*The total originations and purchases equal the sum of the loans in the St. Louis MSA and those outside the MSA. The Mercantile AA is a portion of the St. Louis MSA.

GEOGRAPHIC DISTRIBUTION (Small Businesses/Small Farms):

We compared the percentage of bank loans located in low-, moderate-, middle- and upper-income CTs to the percentage of businesses located in those CTs. We also noted the percentage of CTs at each income level. We placed primary emphasis on the percentage of businesses located in CTs at each income level, because this is a measure of the opportunity to make business loans in those CTs. We used that percentage as a benchmark to evaluate performance absent the aggregated data for the St. Louis MSA. 1997 is the first year regulators and the public will have a compilation of data by MSA. The compilation will give us information on the volume of loans to small businesses and small farms from all financial institutions that are required to report such data under the revised CRA regulation. At the time we conducted this examination, those data were not yet available.

Distribution by Income Level of CT: The geographic distribution of small loans to businesses reflected adequate penetration in low- and moderate-income CTs and good penetration in middle- and upper-income CTs throughout Mercantile’s AA and the St. Louis MSA. The percentage of loans in middle- and upper-income CTs was comparable to or higher than the percentage of businesses in those CTs. The reader should note that 83% of all the businesses in MSA are in middle- and upper-income CTs. This represented more opportunities for lending to businesses of all sizes in those CTs.

Community Reinvestment Act Performance EvaluationMercantile Bank National Association, St. Louis, Missouri

The following table shows the number of small loans to businesses Mercantile made in the St. Louis MSA. The performance was consistent with its performance in the AA. The table also shows the percentage of total businesses in CTs that are low-, moderate-, middle- and upper-income. We determined the total number of businesses and grouped them by the income of the geography in which they are located. There are approximately 56,631 businesses in Mercantile's AA and approximately 60,320 businesses in the St. Louis MSA. The businesses are all sizes. Our data source is 1995 information provided by Dunn & Bradstreet.

Distribution of Small Loans to Businesses by the Income Level of the Geography

ST. LOUIS MSA	# Business Loans	% Business Loans	% Total Businesses in MSA	% CTs @ Income Level
Low-income CTs	42	3.65%	5.95%	12.54%
Moderate-income CTs	94	8.17%	11.42%	18.95%
Middle-income CTs	621	53.95%	47.34%	43.73%
Upper-income CTs	394	34.23%	35.29%	24.78%
Totals	1,151	100.00%	100.00%	100.00%

Mercantile made or purchased small loans to businesses in a significant percentage of the CTs in the St. Louis MSA. The bank penetrated 61%, or 209 of the MSA's 343 CTs. Those CTs included 75% of the total businesses in the MSA.

The following table shows the number and percentage of CTs at each income level that Mercantile penetrated and the percentage of total businesses in each group of CTs. The percentage of low- and moderate-income CTs the bank penetrated is significantly lower than the percentage it penetrated in middle- and upper-income CTs. However, the numbers of businesses located in the low- and moderate-income CTs represent very small percentages of the total businesses located throughout the MSA.

CTs Where Mercantile Made Small Loans to Businesses

ST. LOUIS MSA	# CTs/ Total in Category	% of CTs in Category	% Total Businesses within the MSA that are in CTs Penetrated	% Business Loans Made
Low-income CTs	13/43	30.23%	2.65%	3.65%
Moderate-income CTs	32/65	49.23%	6.34%	8.17%
Middle-income CTs	110/150	73.33%	36.43%	53.95%
Upper-income CTs	64/85	75.29%	29.75%	34.23%
Totals	219/343	63.85%	75.17%	100.00%

Distribution by Borrower Characteristics: The distribution of small loans to businesses Mercantile originated and purchased in 1996 reflected good representation of businesses of different sizes in the AA and the MSA. The bank made a significant percentage, approximately 59%, of its loans for amounts of \$100,000 or less in both

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the AA and the MSA. The following table displays performance in the St. Louis MSA. Performance in the AA was almost identical.

Distribution of Small Loans to Businesses by Loan Size - All Revenue Categories

ST. LOUIS MSA (All \$ In 000's)	# of Loans	% of # Total	\$ (000's) Volume of Loans	% of \$ Volume
\$1 to \$50	485	42.14%	\$11,512	5.64%
\$51 to \$100	191	16.59%	\$14,530	7.12%
\$101 to \$250	206	17.90%	\$34,960	17.13%
\$251 to \$500	153	13.29%	\$56,797	27.84%
\$ 501 to \$1,000	116	10.08%	\$86,236	42.27%
Totals	1,151	100.00%	\$204,035	100.00%

The distribution of small loans to businesses Mercantile originated and purchased in 1996 reflected reasonable representation of businesses of different revenue levels in the AA and the MSA. The revised CRA regulation assumes gross annual revenues generally correlate with the size of the business. Gross annual revenues of \$1,000,000 or less are considered proxies for small businesses.

Bank management stated the small loans in the category where revenues were not used in the credit decision process were most likely loans to businesses with gross annual revenues less than \$1,000,000. This assumption is reasonable. Bank management supported its contention by comparing the number of loans for \$100,000 or less in each of the three revenue categories required to be reported. In the St. Louis MSA, 72% (282/389) of the loans to businesses with gross annual revenue of less than \$1,000,000 were made in amounts of \$100,000 or less. Likewise, 70% (169/241) of the loans in the revenues not used category were for \$100,000 or less. However, only 43% (225/521) of the loans to businesses with gross annual revenues of more than \$1,000,000 were for amounts of \$100,000 or less. The following table supports these findings.

Distribution of Small Loans to Businesses by Loan Size and Varying Revenue Categories

ST. LOUIS MSA (All \$ In 000's)	Revenues < \$1,000 (% of Grand Total)	Revenues > \$1,000 (% of Grand Total)	Revenues Not Used In Credit Decision (% of Grand Total)	Loan Size Totals (% of Category)
\$1 to \$50	220 (19.11%)	141 (12.25%)	124 (10.77%)	485 (42.14%)
\$51 to \$100	62 (5.39%)	84 (7.30%)	45 (3.91%)	191 (16.59%)
\$101 to \$250	54 (4.69%)	117 (10.16%)	35 (3.04%)	206 (17.90%)
\$251 to \$500	39 (3.39%)	95 (8.25%)	19 (.65%)	153 (13.29%)
\$501 to \$1,000	14 (1.22%)	84 (7.30%)	18 (1.57%)	116 (10.08%)
Totals	389 (33.80%)	521 (45.26%)	241 (20.94%)	1,151 (100.00%)

COMMUNITY DEVELOPMENT LENDING:

Mercantile made a material number of community development loans other than those already reported as HMDA or small business loans. A community development loan must meet the definition in the revised CRA regulation which states that such a loan must have as its *primary* purpose community development. Community development purpose is defined as affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by regulation; and, activities that vitalize or stabilize LMI geographies. Community development loans specifically exclude loans which have been reported as HMDA or small business loans, except for multi-family rental housing loans which can be reported under both categories.

During the evaluation period, the bank made seven community development loans totaling \$7,930,134. These loans financed the construction and rehabilitation of affordable housing for LMI families, promoted economic development through financing the construction loan for a business which primarily serves LMI individuals, and provided funding for non-profit organizations which provide community services primarily for LMI families.

FLEXIBLE PROGRAMS:

Mercantile offers a number of flexible home purchase loan programs which have products that benefit LMI home buyers and that were designed to help meet identified community credit needs.. The bank's Community Partnership Program (CPP) is targeted toward LMI home buyers in St. Louis City, St. Louis County and St. Charles County. CPP features home purchase loan products with flexible terms including: low down payment requirements, closing cost grants up to \$500, no points and higher qualifying debt ratios than conventional home loan products. Under CPP, the bank also offers an adjustable rate product which does not require private mortgage insurance. Refer also to the Investment Test section for the dollars which Mercantile provided in grants for closing costs to borrowers at 60% or less of the median family income.

The bank offers products for first-time home buyers and LMI families under flexible programs which have been developed in conjunction with federal and state government agencies. These include: Federal Home Loan Bank Affordable Housing Programs, Federal Housing Authority (FHA) and Veteran's Administration (VA), the Federal National Mortgage Association's (FNMA) 97, and the Missouri Housing Development Commission's Home Purchase loan program.

The numbers and dollar amounts for all these loans are included in the tables showing HMDA-reportable loans detailed in earlier sections of this evaluation.

Mercantile also offers several programs specifically for financing small business credit needs. Lending volumes for the following programs are included in the tables showing small business loans detailed in earlier sections of this evaluation.

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The bank actively participates in financing small minority-owned businesses through the Business Consortium Fund (BCF). BCF is a national fund which is a financing tool for minority-owned businesses, offering subsidized rates. Mercantile is nationally recognized as a leader in successfully using this national funding source. From May 1, 1995 through May 1, 1997, the bank made 114 loans for \$26 million under the BCF Participation Program. These loans are included in the tables above. This program provides loans over \$100,000. The bank retains 25% of each loan and sells the remainder to BCF. During the same time period, the bank made 23 loans for \$1.2 million under the BCF Guarantee Program. That program provides loans under \$100,000 with a 75% guarantee from BCF.

Mercantile also continues to offer the St. Louis School Board Minority Contractor Loan Program which is underwritten through the BCF and the St. Louis Local Development Corporation. This program provides direct financing to minority-owned contracting firms who participate in renovations to St. Louis City Public Schools. Another program, the St. Louis Local Development Corporation Contractor Revolving Loan Program provides working capital at below market interest rates to small and minority contractors. From May 1, 1995 through May 1, 1997, Mercantile made 11 loans through the St. Louis Development Corporation for \$340,000. These loans are included in the tables above.

Mercantile actively participates in Small Business Administration (SBA) loan programs and is a designated SBA preferred lender. For fiscal year-end 1996, the bank ranked second in SBA loan production in eastern Missouri, making 25 loans for \$2.2 million which are already included in the tables above.

The bank also offers the Missouri First Link Deposit loan program which is a low-interest rate linked deposit loan program administered by the Missouri Treasurer's office to assist in creating or sustaining jobs for Missouri businesses.

INVESTMENT TEST

Mercantile and MBI made a significant level of qualified community development grants and investments that were responsive to community development needs in the St. Louis MSA. During the evaluation period, the following monies were extended: \$4,614,367 in new investments, and \$2,778,484 in grants and donations. Investments totaling \$2,435,909 made in earlier time periods were still outstanding at the time of this evaluation.

During the evaluation period, Mercantile made qualified grants and donations in support of community organizations that focus on affordable housing and community services for LMI families in the St. Louis MSA totaling \$2,126,484. These include: \$244,633 in closing cost grants to 1,048 home loan borrowers at 60% or less of the median family income and \$267,754 in fees paid to Consumer Credit Counseling Services (CCCS) of St. Louis. These fees enabled CCCS to provide counseling services free of charge. The bank's affiliated charitable trust, Mercantile Foundation, made \$652,000 in qualified grants and donations to support community development organizations which benefit low- and moderate-income individuals and neighborhoods within the bank's AA.

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Over \$1,000,000 of the bank's grants and donation involved innovative projects. The bank made a donation to the first site-based managed school in St. Louis. This involves renovation of a school in a low-income CT, adjacent to a low-income housing development. Job training for welfare recipients and parent education will be provided there. The bank also donated a mortgage on a property adjacent to a homeless shelter so the owner could donate the property to the shelter. The property will be used for expansion of the shelter's job training services.

Since the last evaluation, the bank has funded or made legally binding commitments for \$900,000 in the St. Louis Equity Fund (SLEF) Partnerships. The SLEF combines equity funds with funds from for-profit or not-for-profit developers and, at times, government funds to build or renovate affordable rental homes for low-income families in metro St. Louis. Investors earn tax credits on their investments every year for 10 years. Since its inception in 1988, the SLEF developed 879 units of affordable housing for low-income families.

Mercantile made two new equity investments in projects requiring the bank's technical expertise in structuring Low-Income Housing Tax Credits (LIHTC). These fifteen-year affordable housing project investments totaled \$2,820,588. The bank also had a continuing investment of \$325,000 in another project of this type. All three projects are within the AA and the St. Louis MSA.

MBI made equity investments in two Small Business Investment Corporations (SBICs) which benefitted Mercantile's AA. During 1996, MBI made a legally binding commitment to fund an equity investment of \$500,000 in Civic Ventures Investment Fund. This SBIC provides early-stage expansion and acquisition investments for minority-owned businesses in the St. Louis area and throughout the state of Missouri and the southern portion of Illinois. MBI also has a continuing equity investment of \$397,600 in Gateway Ventures, L.P., an SBIC which focuses on businesses in the early stages of development in the St. Louis area and a broader Midwest regional area. These funds inject capital into businesses, promoting economic development through financing small businesses, as defined by the SBA. MBI acquired this investment in November, 1994. It is still on the bank's books.

In 1996, MBI provided capital totaling \$593,779 to support the continued operation of Kiel Center, a redevelopment project in downtown St. Louis. This brings MBI's investment in Kiel Center to \$1,447,088. The project is vital to the downtown economy, revitalizing a LMI area.

Two MBI investments made in prior evaluation periods are still outstanding. They include: a \$25,000 investment in the St. Louis Business Development Fund, a for-profit Community Development Corporation (CDC), which provides financing for small businesses that can not obtain funds from conventional sources, and a \$35,000 equity investment in a minority-owned financial institution in St. Louis.

SERVICE TEST

RETAIL BANKING SERVICES - Mercantile's service delivery systems were accessible to all portions of the bank's AA. The bank did not open or close any branches during this evaluation period. The distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies is shown in the following table.

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Branch Distribution by CT

CT Income	# of CTs	% of CTs	# of Branches	% of Branches
Low	40	12%	1	2%
Moderate	65	19%	1	2%
Middle	150	44%	23	53%
Upper	85	25%	19	43%
N/A	3	1%	0	NA
Totals	343	100%	44	100%

Bank services are available at all branch locations. The bank has extended hours at several locations. Mercantile also offers telephone banking, including applications for mortgages and other types of loans.

Although the bank has centralized mortgage loan processing through its mortgage subsidiary in Creve Coeur, Missouri (located within the AA), mortgage loan applications are available at all branch locations. To make the mortgage application process more available, especially to applicants in LMI areas where there are not as many branches, Mercantile provides telephone access to mortgage lending officers and 14 account executives who will meet with customers at the customers' branches, work, or other convenient locations to assist customers in completing loan applications.

The bank performed an analysis to determine the proximity of branches located in middle- and upper-income CTs to low- and moderate-income CTs. The analysis showed that all low- and moderate-income CTs that do not have Mercantile branches are within a three mile radius of a Mercantile branch. Of the people living in LMI CTs, 97.5% live in CTs within a three mile radius of a Mercantile branch.

Bank management also reviewed the accessibility of all its branches to public transportation. Thirty-one of the bank's 44 branches are within 1/4 mile of a bus route. All thirteen of the branches not on a bus route are in outlying suburban areas. Twenty-seven of the 28 branches located within the "outer-belt" I-270, are within 1/4 mile of a bus route.

Mercantile provides an innovative approach to educating Spanish and Vietnamese individuals in home ownership. Management recognized that understanding loan documents in the home loan process is difficult for individuals whose first language is not English. The bank hired a firm to translate home buyer documents into Spanish and Vietnamese and hired instructors who were fluent in these languages in order to provide more effective training for these individuals.

COMMUNITY DEVELOPMENT SERVICES - Mercantile is a leader in providing community development services. By definition under the revised CRA regulation, community development services must relate to the provision of financial services in addition to meeting the community development definition. The bank frequently provides services which meet this definition. Mercantile staff routinely provides technical assistance on financial

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matters to non-profit and other community organizations serving LMI housing needs; small businesses; and LMI individuals. Bank representatives serve on the Boards of Directors of several community organizations which focus on affordable housing and small business needs. In this capacity, they lend their financial expertise to these organizations.

Mercantile is a leader in providing home buyer education programs for LMI individuals in St. Louis. The bank offers these sessions in conjunction with St. Louis Neighborhood Housing Services and Catholic Commission on Housing. For the past five years, Mercantile has been the only lender who has offered these home buyer education programs on a regular basis (twice monthly). Between 800 and 1,200 persons per year have benefitted from these programs.

In cooperation with Neighborhood Housing Services (NHS), the bank recently developed a comprehensive, cooperative home buyer education program called Home Ownership and Purchase Services (HOPS). HOPS members, including lenders, realtors, and non-profit organizations, refer applicants to the program. The HOPS program recognizes that potential home buyers have different levels of knowledge regarding the home buying process and tailors education to individual needs. The program was designed to allow financial institutions which can not support an independent home buyer education program to refer potential home buyers and follow the individuals through the program until they are ready to purchase a home.

Mercantile recently developed an innovative and informative set of audio tapes which walks individuals through the home buying process. The bank's Community Investment area produced these tapes as a result of its biannual LMI focus groups. Two focus groups, one with representatives of the City of St. Louis and one with representatives of St. Louis County, met in July, 1996. They discussed the barriers of home ownership for LMI individuals and ways to provide home buying information to this market segment. Management used this information to design an educational product through a medium which is accepted and used by this market segment.

Other community development services:

- Bank representatives provide ongoing technical assistance to a local minority-owned financial institution. This assistance includes mentoring and training loan officers in financial analysis and small business loan underwriting.
- Bank representatives assisted community organizations in applying for grants from the Federal Home Loan Bank which are used to cover closing costs for LMI home buyers. During the CRA evaluation period, the bank's efforts resulted in a community organization receiving three grants totaling \$210,000 which helped approximately 105 new homeowners.
- Bank representatives provide financial training for small business owners through participation in small business seminars in conjunction with the Small Business Administration (SBA), St. Louis Minority Business Council, and the Small Business Development Center at St. Louis University.

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- Mercantile serves as trustee for grant monies which the St. Louis Community Development Agency receives for affordable housing as part of the City of St. Louis Housing Implementation Program. Mercantile also underwrites and services Missouri Housing Development Commission bonds which provide funds for first-time home buyers.
- The bank offers low-cost checking accounts and low-cost check cashing services which benefit LMI individuals. The bank also offers a simplified business checking account which has lower fees and is targeted toward small business customers.

FAIR LENDING REVIEW

No violations of the substantive provisions of the anti-discrimination laws and regulations (ECOA, FHA, or HMDA) were identified.

RESPONSE TO COMMUNITY COMMENTS

During our evaluation of the bank's CRA performance, we received a complaint from a community group about Mercantile's record of home purchase lending and service availability. We also reviewed letters from several other community groups which were very positive about Mercantile's lending efforts. We considered all the comments during our evaluation of the bank's performance.

ADDITIONAL INFORMATION

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for supervision. If you have questions, concerns, or issues, contact the agency at the address below. The bank is located in the St. Louis MO-IL MSA #7040. HMDA data is available to the public by contacting the East-West Gateway Coordinating Council.

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