



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

April 13, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**South Side National Bank in St. Louis
Charter Number 14128
3606 Gravois Avenue
St. Louis, Missouri 63116**

**Supervisory Agency:
Office of the Comptroller of the Currency
12312 Olive Boulevard, Suite 650
St. Louis, MO 63141**

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| <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 ten-year census and an average population of 4,000.

Community Development Purpose - A community development purpose is defined per 12 C.F.R. 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. 121.802(a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's record of meeting community credit needs in the institution's local community. (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 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 an MSA.

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

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

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

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

Upper = An income level that is 120 percent 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.

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 million or less in gross annual revenues.

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

Southside Bancshares Corp. - Southside Bancshares Corp. is the parent company of South Side National Bank in St. Louis.

SSNB - South Side National Bank in St. Louis, St. Louis, Missouri.

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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 **South Side National Bank in St. Louis, St. Louis, Missouri**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 13, 1998. 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 C.F.R. Part 25.

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

The following table indicates the performance level of **South Side National Bank in St. Louis** with respect to the lending, investment and service tests.

| Performance Levels | Performance Tests | | |
|---------------------------|-------------------|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High Satisfactory | | | |
| Low Satisfactory | XX | XX | XX |
| 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.

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

- SSNB's small business lending reflects adequate responsiveness to the credit needs of its communities. The geographic distribution of small business loans to LMI census tracts was strong.
- The distribution of HMDA-reportable loans and home equity credit lines shows good penetration in LMI areas and to LMI borrowers.

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- SSNB has an adequate level of qualified investments totaling \$776,000. These investments primarily support the development of affordable housing for LMI persons and help local organizations provide community development services within the bank's assessment areas.
- South Side's delivery systems ensure accessibility of the bank's services to essentially all portions of its assessment areas.

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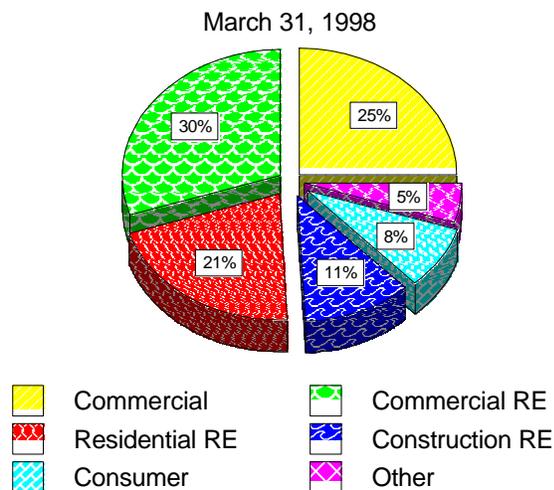
South Side National Bank in St. Louis

DESCRIPTION OF INSTITUTION

South Side National Bank in St. Louis is a full service financial institution headquartered in St. Louis, Missouri. SSNB serves its community through seven banking offices and nine automated teller machines (ATMs) located in St. Louis City, St. Louis County and Jefferson County. For the first quarter of 1998, SSNB had average assets of \$348 million. SSNB is a wholly owned subsidiary of Southside Bancshares Corporation, a \$550 million holding company located in St. Louis, Missouri. Southside Bancshares Corporation was incorporated in 1982 and operates four banks in eastern Missouri.

SSNB offers a full range of retail and commercial banking products but focuses its lending efforts on small to mid-sized businesses and retail consumers. The loan portfolio represented 56 percent of total assets at March 31, 1998. The loan portfolio was comprised of 30 percent commercial real estate, 25 percent commercial, 21 percent residential real estate, 11 percent construction real estate, 8 percent consumer, and 5 percent other loans. We noted no financial or legal impediments which would preclude SSNB from meeting the credit needs of its community.

Loan Portfolio Composition



DESCRIPTION OF ASSESSMENT AREA

The bank has two assessment areas both of which are located on the Missouri side of the St. Louis Multi-state MSA. SSNB's largest assessment area consists of 123 contiguous census tracts in south St. Louis City, a portion of southeastern St. Louis County, and a portion of northeastern Jefferson County. Of these census tracts, 7 are low-income, 25 moderate-income, 53 middle-income, and 38 upper-income census tracts. The second assessment area consists of five contiguous census tracts in north St. Louis County immediately surrounding the West Florissant branch office in the City of Ferguson. All five of these census tracts are middle-income.

The assessment areas consist of whole census tracts where SSNB has its main office, branches, or deposit-taking ATMs, as well as the surrounding areas in which they have originated a substantial portion of their loans. No LMI areas were arbitrarily excluded from the assessment areas.

The 1990 Census Median Family Income for the St. Louis Multi-state MSA was \$37,994 while the 1998 HUD estimate of the Median Family Income is \$51,000. The area's economy is stable with the telecommunications, financial services, health care services, transportation and automobile manufacturing industries providing a substantial number of the area's jobs.

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SSNB's banking environment is highly competitive and includes several major regional and nation-wide banking organizations. Major banking competitors include NationsBank (former Boatmens Bank), Mercantile Bank of St. Louis, Commerce Bank, and UMB Bank St. Louis. In addition, numerous non-bank financial institutions provide stiff competition for commercial and consumer loan customers. Competition for mortgage loans is also strong with a large number of nation-wide, regional, and locally based mortgage companies serving SSNB's assessment areas.

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SCOPE OF EXAMINATION

We examined SSNB using the Lending, Investment, and Service Tests for large banks pursuant to the revised CRA regulation. These tests assess the bank's record of helping to meet community credit and community development needs.

Under the Lending Test, we analyzed the bank's small business, HMDA-reported, and home equity credit lines based on responsiveness to identified needs, distribution to borrowers of different income levels and businesses of different sizes, geographic distribution, and the extent to which the bank uses flexible and innovative lending practices to meet community credit needs. We gave the small business lending greater consideration than mortgage or home equity lending because SSNB's primary business focus is commercial loans.

For the Investment Test, banks are evaluated on the level of qualified community development investments, particularly those investments not routinely provided by the private sector; the extent to which qualified investments are considered innovative or complex; and the responsiveness of qualified investments to community credit or community development needs.

For the Service Test, we analyzed branch distribution and accessibility; the extent to which opening and closing branches has affected the accessibility to delivery systems, particularly in LMI geographies or to LMI individuals; the extent to which retail banking services are tailored to the needs of the assessment area; and the level of community development services provided.

During this evaluation, we reviewed community contact forms that representatives of the OCC, Federal Reserve Banks, Federal Deposit Insurance Corporation, and Office of Thrift Supervision prepared from 1997 through 1998. These contacts were made in the bank's assessment areas and included local community-based organizations, state agencies, and municipal officials. We also visited four community-based organizations during this evaluation. Among the more prominent identified community credit needs were affordable housing loan programs for LMI persons, multifamily housing construction and rehabilitation loans in LMI geographies, and small business/start-up financing.

This current evaluation covers the period from July 1995 through April 13, 1998, and includes loans originated during 1996 and 1997, and through March 31, 1998. We did not include small farm lending in our analysis as SSNB did not report any small farm loans for this evaluation period. Self-employed farmers comprise less than one percent of the assessment area's population. SSNB's prior CRA Performance Evaluation was dated June 20, 1995, and the rating was "**Satisfactory** Record of Meeting Community Credit Needs."

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CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**LENDING TEST**

Overall, SSNB's lending levels are moderate as the loan portfolio represents 56 percent of total assets as of March 31, 1998. During this evaluation period, SSNB originated 693 small business, HMDA-reportable, and home equity credit line loans totaling \$72.6 million. Small business loans comprise the largest portion of the bank's originations (51 percent by number and 74 percent by dollar) and reflect a reasonable effort to meet assessment area credit needs. Given its financial resources, SSNB originated a low volume of HMDA-reportable loans and home equity credit lines. However, this is consistent with management's business strategy that focuses on commercial lending.

SSNB has maintained a modest loan-to-deposit ratio over the past two years. As of December 31, 1997, the bank's ratio of loans, net of loss reserves, to deposits was 62 percent, while its average loan-to-deposit ratio for the past two years was 59 percent. This ratio is lower than the 75 percent average loan-to-deposit ratio for similarly sized banks (i.e., banks throughout the country with total assets between \$300 million and \$500 million).

Our analysis of SSNB's lending activities includes small business, HMDA-reportable, and home equity credit line loans originated within the bank's assessment areas. We combined the bank's lending activity from the two assessment areas for our analysis. The following table shows SSNB's originations of the loan products during this evaluation period.

| Total Loan Originations | | | | | | |
|--------------------------------|-------|---------|-------|---------|-------------|---------|
| Loan Type | 1996 | | 1997 | | YTD 3/31/98 | |
| | Count | \$(000) | Count | \$(000) | Count | \$(000) |
| Small Business Loans | 160 | 28,472 | 147 | 21,015 | 43 | 4,213 |
| HMDA Loans | 74 | 5,183 | 70 | 3,129 | 9 | 435 |
| Home Equity Lines | 57 | 4,059 | 115 | 5,331 | 18 | 737 |
| Totals | 291 | 37,714 | 332 | 29,475 | 70 | 5,385 |

Sources: HMDA Disclosure Statements, CRA Disclosure Statements, and SSNB internal management reports.

SSNB originated a substantial majority of its loans within its assessment areas. By number, 94 percent of SSNB's loan originations were within the assessment areas.

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The following table shows SSNB's total loans originated within the assessment areas during this evaluation period.

| Loans Originating Inside the Assessment Areas | | | | | | |
|--|-------|---------|-------|---------|-----------------|---------|
| Loan Type | 1996 | | 1997 | | Through 3/31/98 | |
| | Count | \$(000) | Count | \$(000) | Count | \$(000) |
| Small Business Loans | 148 | 26,839 | 137 | 20,108 | 42 | 4,191 |
| HMDA Loans | 69 | 4,977 | 62 | 2,979 | 9 | 435 |
| Home Equity Lines | 55 | 4,019 | 109 | 5,124 | 17 | 722 |
| Totals | 272 | 35,835 | 308 | 28,211 | 68 | 5,348 |

Sources: CRA disclosure statements, HMDA disclosure statements, and internal bank management reports.

Small Business Lending

Geographic Distribution

SSNB showed adequate responsiveness to the credit needs of its assessment area through its origination of small business loans. The bank's distribution of small business loans in LMI census tracts was strong. SSNB's loan distribution in LMI census tracts exceeded the percentage of small businesses located within LMI census tracts. In 1996, market data for the bank's assessment areas shows that on aggregate, 3 percent of all reportable small business loan originations were in low-income census tracts and 9 percent in moderate-income census tracts. During this evaluation period, SSNB originated 11 percent of its small business loans in low-income census tracts and 21 percent in moderate-income census tracts.

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The following table shows the total number and dollar volume of small business loans originated within the bank's assessment areas during this evaluation period.

| Small Business Lending by Census Tract Category | | | | | | | |
|---|--|---------|--------------|---------|---|---------|---|
| Tract Income Category | Bank's lending in each income tract category (1996, 1997, and YTD 3/31/98) | | | | Percentage of total market's lending activity in 1996 | | Percentage distribution of businesses by tract income level |
| | Number of Loans | | Loan Dollars | | Count | Dollars | |
| | Count | Percent | \$(000s) | Percent | | | |
| Low | 37 | 11% | 6,379 | 12% | 3% | 1% | 2% |
| Moderate | 68 | 21% | 13,151 | 26% | 9% | 10% | 11% |
| Middle | 87 | 27% | 10,499 | 21% | 42% | 40% | 42% |
| Upper | 133 | 41% | 21,037 | 41% | 46% | 49% | 45% |
| All Tracts | 325* | 100% | 51,066* | 100% | 100% | 100% | 100% |

Sources: CRA disclosure statements and 1990 Census Data. Comparative market data for 1997 is not yet available.

* 2 loans totaling \$72,000 were in census tracts not identified as to income category.

Distribution by Loan Size

As shown in the following table, a majority (64 percent) of the bank's small business loans were for amounts under \$100,000. This percentage is lower than the percentages for the 1996 aggregate market data for the assessment areas which show 80 percent of small business loans were for amounts under \$100,000. However, 61 percent of SSNB's small business originations were to firms with annual revenues less than \$1 million compared to the aggregate market's 51 percent.

| Small Business Loans by Size and Business Revenue (1996, 1997, YTD 3/31/98) | | | | | | |
|---|---------------------------------------|-----------------|---|---------|-----------------|---------|
| Loan Size | Total Small Business Lending Activity | | Small Business Lending to Businesses with Annual Revenues less than \$1 Million | | | |
| | # Loans | \$(000s) Amount | # Loans | Percent | \$(000s) Amount | Percent |
| < \$100,000 | 208 | 8,507 | 148 | 74% | 5,245 | 21% |
| \$100,000 <\$250,000 | 55 | 9,872 | 23 | 11% | 4,186 | 17% |
| \$250,000 - \$1,000,000 | 64 | 32,759 | 29 | 15% | 15,231 | 62% |
| Total | 327 | 51,138 | 200 | 100% | 24,662 | 100% |

Source: CRA disclosure statements

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HMDA-Reportable and Home Equity Credit Line Loans

Although lending volumes for HMDA-reportable and home equity credit line (HECL) loans is low, the distribution of these products, both in terms of geography and borrower income levels, is very good.

Geographic Distribution

SSNB's geographic distribution of HMDA-reportable loans and home equity credit lines shows very good penetration throughout the bank's assessment areas. Although the bank is not a major residential real estate lender, the table below shows the bank has strong penetration levels for HMDA-reportable loans in LMI census tracts. We used the distribution of population, families, and owner-occupied housing units as indicators of the home lending opportunities within each segment of the market.

The following table shows the geographic distribution of SSNB's HMDA-reportable loans and home equity credit lines within the bank's assessment areas. The data includes the percentage of HMDA-reportable loans and home equity credit lines originating in low-, moderate-, middle-, and upper-income census tracts and relevant demographic information. We chose to focus on the number of loans rather than the dollars extended to more effectively assess the number of residents who have benefited from the bank's lending.

| HMDA and HECL Loans by Income Tract Category | | | | | | |
|---|--|--|------|--|----------|------------------------------|
| Tract Category | Percentage of loans made in the assessment area by Total Market and SSNB | | | Percentage of population, families, and owner-occupied housing units from each census tract category | | |
| | Total Market Activity (1996 HMDA) | South Side National Bank Activity (1996, 1997, YTD-98) | | Population | Families | Owner-Occupied Housing Units |
| | | HMDA | HECL | | | |
| Low Income | 1% | 6% | 1% | 3% | 2% | 1% |
| Moderate Income | 8% | 23% | 12% | 12% | 11% | 8% |
| Middle Income | 46% | 42% | 36% | 46% | 47% | 49% |
| Upper Income | 45% | 29% | 51% | 39% | 40% | 42% |

Sources: HMDA disclosure statements, 1990 Census data.

Borrowers' Profile

SSNB's HMDA-reportable lending shows good penetration among borrowers of different income levels. The bank's origination of HMDA-reportable loans and home improvement loans to LMI borrowers approximated or exceeded the total market's distribution.

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The following table shows the distribution of the bank's HMDA-reportable loans and home equity credit lines (by product) to borrowers of different income levels within the bank's assessment areas. For comparative purposes, the table includes the percentages of families for each income level within the assessment areas based on 1990 U.S. Census Data.

| HMDA and HECL Loans to Individuals by Income Category | | | | |
|--|--|--|------|--|
| Income Category | Percentage of loans made by SSNB and the total market to individuals in each income category | | | Percentage of families in each income category |
| | Total Market Activity (1996 HMDA) | South Side National Bank Activity (1996, 1997, YTD-98) | | |
| | | HMDA | HECL | |
| Low Income | 9% | 17% | 14% | 14% |
| Moderate Income | 18% | 17% | 20% | 17% |
| Middle Income | 23% | 24% | 23% | 24% |
| Upper Income | 35% | 42% | 43% | 45% |

Sources: HMDA disclosure statements and 1990 U.S. Census Data.

For Total Market Activity 1996 HMDA, 15% of loan originations did not identify borrower's income.

Community Development Lending

SSNB originated a very low volume of community development loans. During the evaluation period, SSNB made three qualified community development loans in its assessment areas totaling \$92,000. These loans include \$64,000 to a community development organization to construct a single family home for resale to LMI persons and a \$24,000 loan to refinance the organization's existing debt and fund capital improvements. Also, SSNB provided a \$4,000 loan to another community development organization for working capital.

INVESTMENT TEST

SSNB originated an adequate level of community development investments and grants that benefit its assessment areas. The bank's qualified investments totaled \$776,000, representing 2.15 percent of Tier 1 capital. These investments include a participation in an equity fund and an investment in a business development fund. The bank made additional grants and donations to various community groups and organizations that promote housing and community development service to LMI families in the St. Louis MSA.

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Qualified investments consist of:

- A \$600,000 partnership investment in a LMI housing development sponsored by the St. Louis Equity Fund (SLEF), Inc., a non-profit corporation. The SLEF initiates and manages pooled equity investments in housing projects located in the City of St. Louis, St. Louis County and other counties within the Missouri portion of the St. Louis MSA. These housing projects qualify for federal low-income housing tax credits.
- A \$25,000 equity investment in the St. Louis Business Development Fund, a small business development fund.
- In-kind donations of real estate valued at \$58,000 to a local government agency that prepares blighted land for development.
- Grants and donations totaling \$93,000 to various entities that provide community development services.

These investments are not considered innovative or complex and are routinely provided by private investors. However, these investments do address the pressing needs within the bank's assessment areas for more LMI housing and greater access to credit for small business owners.

SERVICE TEST

SSNB's delivery systems are accessible to essentially all portions of the bank's assessment areas.

SSNB has seven banking locations. The bank's main office is located in a moderate-income census tract in the southern section of St. Louis City. One branch office is located in a low-income census tract within St. Louis City. The remaining branch offices are located in St. Louis County, three in middle-income census tracts and two in upper-income census tracts.

Five of the branches offer full service banking. The Iowa Street branch, located in a low-income tract in St. Louis City, is primarily a deposit/check cashing facility with most of the same services offered with the exception of lending services. However, the branch is located within one mile of the main office, which offers complete lending services. SSNB has nine ATMs: three proprietary ATMs at the main office, one ATM at each branch with the exception of the Iowa Street branch, and one ATM at St. Anthony's Hospital.

In February 1996, the Sappington Branch was opened in an upper-income census tract in unincorporated southeastern St. Louis County. No offices were closed during our review period.

The business hours at each location are reasonable. Generally, bank offices are open until 5:00 P.M. during the week, and 6:00 P.M. on Friday. All offices are open on Saturday mornings.

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The bank uses some alternative delivery systems to expand the availability of retail banking services throughout the assessment areas. These include proprietary ATMs and banking by telephone, which allows customers to receive information about their checking, savings, and loan accounts. Customers may also obtain payment and balance information, transfer funds, and make loan payments by telephone. SSNB offers banking by mail to all its customers. Also, commercial customers are offered computer banking to monitor account transactions.

The bank offers a budget checking account with a small minimum deposit and small monthly service charge. There are no service charges or minimum balance requirements for children's accounts. Also, there are no transaction fees on ATM transactions, even at foreign ATMs.

Community Development Services

SSNB provides an adequate level of community development services. Bank staff provide technical assistance and financial expertise to groups that serve the needs of small businesses and LMI individuals. The following are examples of the community development services which SSNB and its employees provided in its assessment areas:

- A senior loan officer participated in a round table discussion with banking regulators, other bankers, and small business owners on access to credit for small and minority-owned businesses. In addition, SSNB and several other financial institutions developed and sponsored two follow-up seminars for existing and potential small business owners. Seminar topics included: organizing your loan request, success stories, bank lending programs, non-bank lending programs, and enhanced lending programs.
- Bank officers provide financial expertise in their capacity as Board members and officers in public agencies and private organizations devoted to developing affordable housing for LMI individuals and promoting small business growth within SSNB's assessment areas. These organizations include the Grand-Oak Hill Community Corporation, Neighborhood Housing Services, Cherokee Business District, St. Louis Tax Increment Financing Commission, and the Hampton-Chippewa Business Association.

FAIR LENDING REVIEW

We did not find any substantive violations of the anti-discrimination laws (Equal Credit Opportunity Act). Our findings are based on a sample of automobile installment loan applications received from October 1, 1997, through March 31, 1998. The bank's fair lending policies, procedures, and training programs are satisfactory.