



Comptroller of the Currency
Administrator of National Banks

Midwestern District Office
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Kansas City, Missouri 64108

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

June 28, 1996

Boatmen's National Bank of Pine Bluff
Charter Number 14056
120 West 5th
Pine Bluff, Arkansas 71611

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 Pine Bluff, Pine Bluff, 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.

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 Pine Bluff, 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 Pine Bluff (BNBPB)

Census Tract (CT) - Small, locally defined statistical areas. 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.

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. Low-income means an income level which is less than 50% of 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

Institution's Rating:

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:

- BNBPB had a very high level of lending in the local community. It was the leading agricultural and small business lender in Jefferson County in 1995.
- BNBPB had a strong record of lending to LMI borrowers in 1994 and 1995. Thirty-six percent of all home loans in 1995 were made to LMI borrowers.
- BNBPB developed several innovative programs which addressed the identified needs of their community including the Minority Business Loan Program, Low-to-Moderate Income Home Ownership Program, and home improvement program.
- BNBPB had a very high level of participation in government guaranteed loan programs. In 1995, 73% of originated home purchase loans were Federal Housing Administration (FHA) and Veterans Affairs (VA) loans.

REASONABLENESS OF COMMUNITY DELINEATION

BNBPB's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank designates Jefferson County and the city of Pine Bluff as its delineated community. This is a MSA and is the fourth largest in the state. The community consists of 31 CTs. By income level, two tracts (6%) are low, six (19%) are moderate, fifteen (48%) are middle, and six (19%) are upper-income. Two tracts are not identified.

COMMUNITY PROFILE

Jefferson County is located 40 miles south of Little Rock, Arkansas and has a total population of 85,500. Pine Bluff is the county seat and is the largest city in the county with a population of 57,000. The county's population is racially diverse with 56% white and 43% black. The Department of Housing and Urban Development estimates the 1995 median family income at \$30,700. Additionally, 23% of households are below the poverty level with 31% of households receiving Social Security and 11% receiving public assistance. 13% of the population is over 65 years old.

The local economy is dependent on agricultural, manufacturing, and service industries. Competition among financial institutions is strong in Jefferson County. There are three other national banks, a branch of a state bank, several credit unions, and major brokerage firms offering financial services to the community. The largest employers are the U.S. Federal Government, Jefferson Regional Medical Center, Tyson Foods, International Paper, Southern Pacific Railroad, and the Pine Bluff School District. The Pine Bluff Campus of the University of Arkansas is the third largest in the University's system and is the state's oldest public institution with a black heritage. As of March 1996, the unemployment rate was 6.9%

BANK PROFILE

BNBPB is a \$237 million institution with seven branches. It is a full service bank, providing both commercial and retail lending. Based on asset size, BNBPB is the second largest bank in the county. The bank's loan mix is as follows: 34% in real estate loans, 19% in commercial loans, 27% in loans to individuals, and 20% in agricultural loans. As of December 31, 1995, the bank had a 54% loan-to-deposit ratio.

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 efforts to communicate with members of its community regarding the credit services provided by the institution.

BNBPB responded effectively to identified community credit needs and continues to maintain productive relationships with a variety of community representatives.

The Board of Directors and management pursued meaningful contacts with a number of groups and organizations that enabled the bank to assess the community's credit needs on an ongoing basis. Contacts included public officials, neighborhood organizations, and community groups involved in minority affairs, agriculture and business lending, affordable housing, small business development, and economic and community development.

Through the bank's ascertainment efforts, management identified several credit-related needs in its community. Examiners confirmed these needs through community outreach. They included:

- home purchase and home improvement loans with lower down payments and higher qualifying ratios than conventional loan products;
- flexible loan products for small and start-up businesses and farms;
- versatile consumer loan products to fund small projects and short-term demands; and,
- credit counseling and assistance in applying for credit.

BNBPB offered a full range of credit products well suited to meet the community's identified credit needs. During the past two years, products were developed or modified to better serve the needs of the community with a strong focus on the needs of LMI individuals. Participation in government-guaranteed mortgage loan programs and agricultural loans increased. In partnership with several prominent community leaders, the bank developed a minority business loan program which evaluates loan requests from minority-owned businesses. The bank sponsored several seminars geared toward small business development. A "100% Home Equity" product was introduced to address the community's needs for a versatile consumer loan product. Refer to Assessment Factors I, J, and H for details on the bank's loan and investment programs which support identified credit needs.

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.

The Board and senior management have an effective system for formulating and reviewing the CRA process.

CRA activities are guided by the bank's formal CRA policy. The Board annually reviews the bank's CRA performance through the self-assessment.

Members of the Board and management are very involved in activities and in groups designed to develop, improve, and enhance the local community. Their involvement is demonstrated through membership and leadership in numerous community organizations.

The Board and senior management demonstrated a willingness to consider innovative programs and underwriting to meet community credit needs. Refer to Assessment Factors I, J, and H for details.

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.

BNBPB developed marketing and advertising programs which provided its community with a high level of awareness about the bank's credit services.

Marketing programs and advertisements increased community awareness of the bank's credit products and services. BNBPB utilized on-air and print media to promote its products and services. Officer call programs included visits to LMI areas. During the past two years, the bank conducted several loan seminars aimed at helping community members establish and apply for credit. The agricultural lending department sponsored numerous public meetings in the bank's "Town Hall."

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

BNBPB demonstrated a high level of responsiveness to its community's credit needs through the origination of home purchase, home improvement, and small business and farm loans.

BNBPB and its affiliate, BNMI, originated a significant portion of the market's residential mortgage loans. Based on 1994 aggregate HMDA data within the bank's delineated community, BNBPB and BNMI ranked second out of 71 lenders in market share of originated home purchase loans with 19%. The bank's approval rate is 69%.

The following table presents the combined number and dollar volume of HMDA reportable loans which BNBPB originated in 1994 and 1995 within its delineated community.

| HMDA LOANS | 1994 | | 1995* | |
|-----------------------------|------------|--------------|------------|--------------|
| | # | \$ (000) | # | \$ (000) |
| Home Purchase** | 49 | 2,587 | 37 | 1,646 |
| Refinance | 51 | 3,217 | 31 | 1,039 |
| Multi-family & Non-Occupied | 8 | 553 | 28 | 1,184 |
| Home Improvement | 15 | 341 | 31 | 327 |
| TOTAL | 123 | 6,698 | 127 | 4,196 |

* 1995 numbers and volumes include renewals.

** Conventional loans only. Government home purchase loans detailed under Assessment Factor J.

For 1995, HMDA information indicated that 36% of mortgage loans were made to LMI borrowers. In 1994, 26% of mortgage loans were made to LMI borrowers.

In conjunction with ACORN (The Association of Community Organization for Reform Now), BNBPB developed the "Low- and Moderate-Income Home Ownership Program." This program provides a vehicle for home purchase to LMI individuals and families who would not normally qualify for conventional or secondary market mortgage loans. The program has modified underwriting standards, reduced fees and documentation requirements, and a below-market interest rate. During our evaluation period, BNBPB made thirteen loans totaling \$405,000 and contributed \$10,000 to ACORN to cover administrative expenses associated with this program.

The bank continued to support small businesses, especially those in LMI areas. Loans to small businesses constituted approximately 72% of all commercial loans and commercial real estate loans originated in 1995. In 1992, BNBPB established the Minority Business Loan Program to provide funds to minority-owned businesses which would not qualify using the bank's standard loan programs or government subsidized loan programs. This committee, comprised of local African-American professionals, educators, and business owners, assists in underwriting decisions on minority loan applications and provides marketing guidance for LMI products offered by BNBPB. BNBPB agreed to provide \$400,000 to this program. Since 1994, BNBPB made ten loans totaling \$231,191. As of March 31, 1996, total funds committed or outstanding were \$302,083.

BNBPB extended a significant number of consumer loans. In 1995, the bank originated 1,882 loans for a total of \$11.7 million. The new "100% Home Equity" loan program generated 21 loans totaling \$491,543 since its inception in February 1996.

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

BNBPB actively participated in governmentally-insured, guaranteed, and subsidized loan programs for housing, small businesses, and small farms.

BNBPB was the largest bank in Jefferson County to utilize the Farmer's Home Administration (FmHA) 90-10 program wherein FmHA guarantees 90% of a small farm loan. BNBPB also generated the largest loan volume in Jefferson County. This program allows the bank to make loans to farmers for crop production and ongoing operations.

BNBPB's active participation in government supported programs resulted in an effective mechanism to service the needs of its community. These are alternative products offering lower costs and more flexible underwriting guidelines than conventional loans. The following table presents the number and amounts of loans originated in 1994 and 1995:

| LOAN TYPE | 1994 | | 1995 | |
|-----------------------|------------|--------------|------------|--------------|
| | # | \$ (000) | # | \$ (000) |
| SBA | 4 | 300 | 2 | 1,156 |
| FHA | 99 | 3,973 | 130 | 4,765 |
| VA | 31 | 1,704 | 25 | 1,090 |
| FmHA 90-10 guarantees | 5 | 707 | 8 | 1,178 |
| ADFA State Program* | 54 | 2,123 | 39 | 1,489 |
| 221d2 City Program* | 22 | 651 | 8 | 202 |
| TOTAL | 139 | 6,684 | 165 | 8,189 |

* Not added as separate items. Number and amount included in Conventional, FHA, and VA totals.

Other government lending programs for housing:

Arkansas Development Finance Administration (ADFA): These are state bond issues which provide grants for low-interest single-family home financing. Participating counties are designated based on their income demographics. BNBPB's delineated community and surrounding counties are all designated counties under ADFA.

221d2 City Program: This is a FHA program in which a single-family residential borrower can finance all closing costs and prepaid items. Although the interest rate charged is similar to the regular FHA program, this program allows disabled, single parents with children, and persons 62 years of age and older to minimize the initial costs in acquiring their residence.

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.

BNBPB demonstrated a very good distribution of loans throughout its delineated community with particular strength in LMI areas.

Internal bank analysis confirmed that for 1995, 33% of all originated loans were located in LMI CTs, 49% in middle-income CTs, and 18% in high-income CTs. This is particularly significant in light of the fact that only 25% of the bank's community is considered LMI.

In 1995, approximately 96% of the number and 93% of the dollar volume of BNBPB originated mortgage loans were in the bank's delineated community. In 1994, 76% of the

number and 82% of the dollar volume of the HMDA reported loans were in the delineated community.

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

BNBPB's offices provide reasonable access to all segments of its community. The bank has not opened or closed any branches since the last CRA review.

BNBPB serves its delineated community through a network of seven full-service branches. All branches have extended banking hours on Friday and three branches are open on Saturdays. All branches have automated teller machines. The bank's analysis showed that all areas of greater Pine Bluff are within a 2-mile radius of a BNBPB branch.

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.

Examiners did not identify any practices intended to discourage individuals from applying for credit. BNBPB actively solicited applications from all segments of its community, including LMI areas.

The Board and management have developed appropriate policies and procedures to ensure equal treatment of all applicants. The bank, through BBI, established an internal fair lending review program.

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

Our review did not detect any evidence of disparate treatment or discriminatory practices on a prohibited basis. The bank is in substantial compliance with antidiscrimination laws and regulations.

In addition to reviewing the bank's internal fair lending review process, examiners reviewed an independent loan sample. We selected a judgmental sample of nine denied black home improvement applications and eleven approved white home improvement applications received in 1994 and 1995. We determined if the bank applied its standards to evaluate creditworthiness fairly and without regard to the race of the applicant. Our review did not disclose any instances where the underwriter treated the applicant differently because of his or her race.

V. COMMUNITY DEVELOPMENT

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

BNBPB maintained a high level of participation in development and redevelopment programs, often in a leadership role.

During our evaluation period, BNBPB participated in or initiated several community development projects, loan programs, and investment activities that contributed to the development, redevelopment, and revitalization of areas in Pine Bluff and Southeastern Arkansas. Notable examples include:

Pine Bluff Downtown Development. This organization was formed in 1984 to promote the redevelopment and revitalization of the downtown district. Initiatives included a low-rate loan program to encourage investment. During the evaluation period, BNBPB funded three loans totaling \$70,000.

Partners in Progress. Partners in Progress is a fund raising entity whose mission is to attract funds from Pine Bluff's business community to use for economic and community development. BNBPB contributed a total of \$180,000 during the first two phases of this program. During our evaluation period, these contributions totaled \$40,000. BNBPB committed an additional \$100,000 for Phase III of the program. In addition, BNBPB made a loan to Partners in Progress for \$45,000.

Jefferson Foundation/Arkansas River Education Services Cooperative. BNBPB was the lead bank in a \$450,000 loan participation to renovate a vacant building in downtown Pine Bluff, a LMI area. The Arkansas River Education Services Cooperative (ARESC) leases this building from the Jefferson County Industrial Foundation. ARESC provides assistance to three area school districts in meeting accreditation standards, equalizing educational opportunities, using educational resources more effectively, promoting coordination between school districts and the State Education Department, and providing other services established by the State of Arkansas.

Area Agency on Aging of Southeast Arkansas, Inc. This agency provides a broad range of services to the elderly in ten Southeast Arkansas counties. BNBPB acquired \$395,000 in revenue bonds used to purchase office space and refinance existing debt.

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.

We did not identify any constraints on the bank's ability to assist in meeting community credit needs.

BNBPB made a substantial commitment to help meet the community's credit needs, including providing financial resources and technical expertise. The bank demonstrated a high level of participation in community development projects, affordable home lending programs, and small business lending, including minority-owned businesses.

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

BNBPB engaged in several other meaningful activities which supplemented the bank's efforts to help meet the credit needs of the community.

BNBPB offered guaranteed student loans. In the 1995 school year (July 1994 to June 1995), the bank originated over \$1 million in student loans.

BNBPB made other loans that were beneficial to the entire community. These included loans to finance a non-profit community sports facility, a community arts center, and the only public golf course in Pine Bluff.

During our evaluation period, BNBPB sponsored several free seminars covering various topics. These included: Financial planning for Newlyweds and Young Adults; How to Apply for a Loan; How to Establish Credit, Reestablish Credit, and Types of Loans Available; Is Your Business Idea Feasible?; Small Business Tax Workshop; and How to Apply for a Home Mortgage Loan.

BNBPB provided staff and financial support for various community activities and charity events. These included: March of Dimes WalkAmerica; "55 Alive," a driving course for senior citizens; Whiz Kidz Math Camp; Santa's Helpers for Underprivileged Children; Junior Achievement; Volunteers in Public Schools (VIPS); Pine Bluff High School Career Day; University of Arkansas, Pine Bluff Career Day; United Way; Pine Bluff Symphony; Arts and Science Center for Southeast Arkansas; and, the Seabrook YMCA. BNBPB encourages employees to volunteer time to community organizations. During 1995, employees volunteered over 5,800 hours to various community organizations.

ADDITIONAL INFORMATION

The bank is located in MSA #6240.

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

Office of the Comptroller of the Currency
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