



Comptroller of the Currency
Administrator of National Banks

Midwestern District Office
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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

June 28, 1996

Boatmen's National Bank of Conway
Charter Number 18778
719 Harkrider Street
Conway, Arkansas 72032

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 Conway, Conway, 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 Conway, 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 Conway (BNBC)

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 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 the 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:

- BNBC originated a significant portion of its loans within the delineated community in 1994 and 1995.
- BNBC originated more loans in LMI CTs in 1994 than any other institution in its market.
- BNBC has a strong record of lending to LMI borrowers.
- BNBC was the leading Small Business Administration (SBA) lender in its delineated community in 1995.

REASONABLENESS OF COMMUNITY DELINEATION

BNBC's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank's community is designated as all of Faulkner County, which is part of the Little Rock/North Little Rock MSA. The delineation consists of 11 CTs. By income level, the CTs are 36% moderate-, 55% middle- and 9% upper-income. None of the 11 CTs are low-income.

COMMUNITY PROFILE

The 1990 Census data reports the population of the bank's delineated community at 60M. Faulkner County was the state's fastest growing county with a 30% increase from 1980 to 1990. Conway is the largest city in the county and serves as the county seat. The 1990 Census data shows the population of Conway at 26,481. Conway's population also increased approximately 30% from 1980 to 1990, making it the fastest growing city in the Little Rock/North Little Rock MSA. The 1990 Census data reports the median family income for Faulkner County at \$29,145.

Competition among financial institutions in Faulkner County and the city of Conway is strong. Faulkner County's employment base is diversified. Major industries include information management technology, furniture manufacturing, commercial refrigeration, and commercial and school bus manufacturing. Conway is home to three institutions of higher education which also have a large employment base. The county's average unemployment rate for 1995 was 4.6%.

BANK PROFILE

BNBC is a \$198 million institution with seven branches. The main office is located in downtown Conway. It is a full service bank offering both commercial and retail lending. Based on asset size as of December 31, 1995, BNBC is the second largest bank in the delineated community. The bank's loan mix is as follows: 49% commercial and commercial real estate loans, 33% residential real estate loans, 15% consumer loans, and 3% other loans. As of December 31, 1995, BNBC's loan-to-deposit ratio was 84%.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

BNBC effectively identified community credit needs and maintained ongoing relationships with a variety of community representatives.

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

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

- home purchase and home improvement loans that are more affordable and targeted to LMI individuals;
- flexible loan products for small and start-up businesses; and,
- credit counseling and assistance in applying for credit.

BNBC offered a full range of credit products that are well-suited to meet the community's identified credit needs. In the past year, the bank developed more flexible products to better meet the needs of the community, especially for LMI individuals. Refer to Assessment Factors I and J for details on the bank's loan programs that support identified 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 Community Reinvestment Act.

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

The bank has a formal CRA committee consisting of bank officers from the lending and retail departments of the bank. The committee meets weekly to discuss CRA issues and annually prepares a self assessment of the bank's CRA performance. The committee submits monthly CRA activity reports to the Board. The bank also has a CRA advisory committee which meets annually. This committee consists of public officials and individuals involved in affordable housing, public assistance, economic development, minority affairs, and education.

BNBC's directors and officers were involved in activities and groups designed to develop, improve, and enhance the local community. Their involvement was demonstrated through membership in numerous community organizations.

The Board and senior management demonstrated a strong willingness to explore and implement innovative programs and underwriting to meet community credit needs. Refer to Assessment Factors I and J 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.

BNBC implemented sound marketing and advertising programs to inform the entire community of credit services offered by the bank.

BBI developed the advertising program for credit products which were aggressively advertised through television, radio, and newspaper. Advertisements are placed primarily in the state's largest newspaper, the local newspaper, Little Rock television stations which cover a large portion of the state, and radio stations in Conway. The bank also advertises in a free weekly shopper's guide which is available throughout Faulkner County.

In addition to traditional marketing methods, BNBC informed the community of its residential mortgage products through seminars. In April 1996, BNBC and BNMI sponsored a "First-time Homebuyers Seminar". This seminar informed first-time homebuyers about BNBC's mortgage products. Bank representatives also answered questions about credit history and how to qualify for a mortgage loan. Notice of the seminar was advertised in the local daily paper and the free weekly shopper's guide.

BNBC specifically targeted LMI neighborhoods with information on the bank's affordable home loan and home improvement programs. Examples include:

Door-to-door canvas - In March 1996, bank employees canvassed approximately 1,500 homes in LMI neighborhoods and talked to about 80% of the residents. Brochures describing the bank's affordable home and home improvement loan programs were left at each home.

Credit Counseling Seminar - In March 1996, bank management met with a group at a minority church located in a LMI neighborhood. The purpose was to educate individuals on credit reporting, how to establish good credit, and BNBC's mortgage products. Other topics included how to qualify for unsecured loans and how to obtain a business loan.

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

BNBC demonstrated a high level of responsiveness to its community's credit needs through the origination of residential mortgages.

BNBC and its affiliate, BNMI, originated a significant portion of the market's residential mortgages. Based on 1994 aggregate HMDA data for all lenders within the bank's delineated community, BNBC was the leader in originations with 29% of the market. BNBC was also the leader in originations in LMI CTs with a 40% market share. The bank ranked second in the market for home purchase originations with a 17% market share. BNBC ranked first in the market on refinancings, home improvements, and multi-family with a 39%, 41%, and 56% market share, respectively.

The following table shows the combined number and dollar volume of HMDA reportable loans which BNBC and BNMI originated in 1994 and 1995 within the bank's delineated community.

Community Reinvestment Act Performance Evaluation
Boatmen's National Bank of Conway, Conway, Arkansas

HMDA LOANS	1994		1995	
	#	\$(000)	#	\$(000)
Home Purchase*	261	11,960	151	8,526
Refinance	436	20,705	317	12,965
Home Improvement	178	2,530	82	1,173
Multi-family	5	1,158	2	125
TOTALS	880	36,353	552	22,789

* Home purchase also includes government-insured or guaranteed loan programs, i.e. FHA, VA loans. Information on these products is detailed in Assessment Factor J.

Management attributed the decrease in loan volume in 1995 to an overall rise in market interest rates. In 1995, approximately 89% of the number and volume of BNBC's HMDA reportable loans were originated within the bank's delineated community.

Management's internal analysis indicated a substantial portion of non-HMDA reportable loans were made within the delineated community. These loans are comprised of retail and commercial. In 1995, BNBC originated 83% in number and 61% in dollar volume of non-HMDA reportable loans within its delineated community.

BNBC has several flexible credit products available to the entire community, some of which are specifically targeted to the LMI community. Examples include:

Home equity loan/home equity line of credit - BNBC was first in its market to offer 100% home equity loans/home equity lines of credit with flexible terms. These products became available in January 1996. Customers can borrow up to 100% of the appraised value of their home. Closing costs or fees are minimal, and BNBC pays the private mortgage insurance if there is less than 20% equity. The home equity loan is a term loan and has a 5-year maturity with a 15-year amortization. The home equity line of credit is a revolving line with a 3-year maturity. Through May 7, 1996, BNBC funded 49 home equity loans totaling \$944,199 and 39 home equity lines of credit totaling \$1,002,800.

In late 1995, BNBC developed two loan products targeted for LMI individuals and set aside \$500,000 for each program. Both products have flexible underwriting criteria. They are:

Affordable Housing Loan - This loan offers a 15-year fixed rate of 9.9%, a 30-year term, no minimum loan amount, and a 97% loan-to-value. All closing costs can be financed and no origination fee or points are charged. For loans under \$50,000, the appraisal fee is reduced by 50%. In some cases, BNBC will consider "sweat equity" in lieu of a cash investment. The bank funded one loan for \$39,000 under this recently developed loan program.

Affordable Home Improvement Loan - This program has two repayment options: a 5-year fixed rate loan at 9.25% and a 10-year fixed rate loan at 9.90%. Features include a minimum loan amount of \$1,000 and a maximum loan amount of \$25,000, financing of closing costs, and no origination fee or points. Appraisal fees are also discounted. To date, no loans are funded under this recently developed program.

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

BNBC is a leader in participating in governmentally-insured, guaranteed, and subsidized loan programs for housing and small business.

SBA - The bank is a certified SBA lender. BNBC was the leading SBA lender in Faulkner County and the thirteenth largest in the state in fiscal year 1995. In 1994, a total of seven SBA loans were made with five originated in Faulkner County totaling \$1,113,500. The bank made 14 SBA loans in 1995 with 12 originated in the delineated community. These loans totaled \$776,700.

Arkansas Student Loan Authority - BNBC offers and extends student loans for those attending Conway's colleges and university. In 1994, the bank originated 1,086 loans totaling \$2.7 million, and in 1995, the bank originated 433 loans totaling \$596,000. Student loan activity decreased substantially in 1995 when the local university began a direct lending program. Under this program, students obtain loans directly through the financial aid office.

Federal Housing Administration (FHA) loans and Veterans Affairs (VA) Loans - BNBC offers and extends FHA and VA loans through BNMI. These programs typically offer lower down payments and higher qualifying ratios than conventional home loans. During 1995, the bank originated 9 FHA loans and 3 VA loans totaling \$547,000 and \$198,000, respectively.

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.

BNBC has a good distribution of loans throughout its delineated community, especially in loans to LMI CTs and LMI individuals.

BNBC was the market leader for HMDA originations in LMI CTs in 1994 with 40% of the market. The bank and its affiliated mortgage company originated 418 HMDA loans in LMI CTs within the delineated community in 1994. The bank was the leader in originations of home improvement loans and refinance loans in LMI tracts with a 48% market share in each of those products. The bank was second in the market in origination of home purchase loans in LMI CTs with a 27% market share. This compares favorably with BNBC's overall market share for all HMDA originations of 29%. BNBC's HMDA originations in LMI CTs represented 40% of its originations in 1994 and 34% in 1995.

BNBC was also the market leader for HMDA loans to LMI individuals with a 31% market share in 1994. The bank and its affiliated mortgage company originated 255 HMDA loans to LMI individuals within the delineated community in 1994. The bank was the market leader in home improvement and refinance loans to LMI individuals in 1994 with a 48% and 40% market share, respectively. The bank was second in the market in originations of home purchase loans to LMI individuals with a 20% market share. In 1994 and 1995, BNBC originated 28% and 26%, respectively, of its HMDA loans to LMI individuals.

The bank shows a good geographic distribution of other loans, including retail and commercial. Based on internally generated reports of loans originated in 1995, 19% of the number and 24% of the volume were made in LMI CTs. An analysis of deposit accounts generated in 1995 shows that 21% of the number and 16% of the dollar volume were from LMI CTs.

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

BNBC's are readily accessible to all segments of its community. Branch closing/opening activities have not adversely affected the level of services available to LMI segments of its community.

BNBC has seven branches, five of which are located in Conway. The remaining two branches are in Vilonia and Mayflower. Two branches are in moderate-income CTs, four branches are in middle-income CTs, and one branch is located in a high-income CT. BNBC has six automatic teller machines, all located in Conway.

Most services are available at all locations. However, loan applications are only taken at the main office. Locations and hours are readily accessible and convenient to the entire community.

Since the acquisition by BBI in April 1995, there has been ongoing review of services and products to ensure customer needs are met. The bank has a branch closing policy which addresses the procedures for closing branch offices. In August 1995, BNBC was required to close the Greenbrier, Arkansas branch due to regulatory limitations on the amount of deposits that a holding company can control within a county. BBI owns another institution in Faulkner County in addition to BNBC. The impact of the closure in the community was minimal, as the branch was sold to another financial institution. In addition, another bank opened a branch in Greenbrier subsequent to the closure. Bank management made appropriate and timely notification to the community.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

BNBC has not engaged in any practices intended to discourage individuals from applying for credit. BNBC 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. BNBC, through BBI, established an internal fair lending review program. Bank management reviews all denied applicants to see if the loan could have been approved.

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

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

In addition to reviewing BNBC's fair lending review process, examiners reviewed an independent loan sample. A sample that included 100% of the denied white female applicants for conventional home purchase loans was compared to approved white male applicants for conventional home purchase loans received in 1995. Our review did not disclose any instances where the underwriter treated applicants differently because of gender.

V. COMMUNITY DEVELOPMENT

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

BNBC participated in community development and redevelopment projects as they are available.

BNBC maintains ongoing dialogue with community leaders and developers to provide affordable housing in the community. In 1993, the bank, in conjunction with the Community Action Program of Central Arkansas (CAPCA), secured a federal grant of approximately \$500,000 to be used for down payments for first time homebuyers. The purpose of the grant was to allow a large number of LMI individuals the chance to purchase a home. Down payments ranged from \$2,000 to \$3,000. Ten loans were funded under this program. In 1994, Faulkner County became part of the Little Rock/North Little Rock MSA and the majority of funding for this program went to Pulaski County. Faulkner County received less than \$20,000 in 1994.

BNBC's community is stable with a low unemployment rate. The bank is willing to participate in projects when they are available, but there have been no development or redevelopment opportunities.

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

There are no constraints on the bank's ability to assist in meeting community credit needs.

BNBC demonstrated its commitment to help meet the community's credit needs through its residential lending and the development of affordable home loan programs.

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

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

American Transportation Assistance Program - In the summer of 1994, BNBC initiated an assistance package for employees of Conway's largest employer, American Transportation (AmTran) after a majority of the bus manufacturing plant was destroyed by fire. The bank devised an assistance package which allowed an extension of principal payments on loans for up to 60 days, credit card payments were deferred for up to 60 days, and the redemption penalties for Certificate of Deposits were waived. In addition to this aid, the bank participated in a workshop that provided information to the employees of AmTran on the different ways to gain assistance in paying bills and acquiring basic sustenance during their period of

unemployment.

Loans to developers who build affordable housing - BNBC provided financing to home builders/developers who build affordable housing in the community. In 1994, the bank made 11 loans totaling \$671,000 to developers building homes in the \$50,000 to \$70,000 price range. In 1995, the bank made 17 loans totaling \$977,880.

Loans to small businesses, organizations that work with LMI area, churches, medical facilities - BNBC extended credit to a variety of individuals, businesses, and organizations that had contact or involvement with LMI areas in the community. BNBC also made loans to organizations or businesses which benefit the entire community. Many of these businesses work directly with LMI individuals or employ many LMI employees throughout the community. In 1995, BNBC originated approximately \$12 million of such loans.

Free Checking - BNBC was the first bank in its market to offer free checking. This lifeline product has been available since the first quarter of 1996. It is a basic checking account with no minimum balance requirement, unlimited check writing privileges, and no monthly fee. The opening deposit requirement is \$25.

ADDITIONAL INFORMATION

BNBC is located in MSA #4400.

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

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