



Comptroller of the Currency
Administrator of National Banks

Midwestern District Office
2345 Grand Boulevard, Suite 700
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

June 28, 1996

Boatmen's National Bank of Newark
Charter Number 18779
150 West Front Street
Newark, Arkansas 72562

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 Newark, Newark, Arkansas prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of June 28, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

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

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

Boatmen's Bancshares, Inc. (BBI) - BBI is the parent company of Boatmen's Arkansas, Inc. (BAI). BAI is the holding company for Boatmen's National Bank of Newark, 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 Newark (BNBN)

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

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

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

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

- BNBK has a high volume of local lending as evidenced by the bank's high loan-to-deposit ratio.
- BNBK has strong performance in meeting credit needs, primarily through residential, small business, agriculture, and consumer loans.
- BNBK strongly supported available community development efforts.

REASONABLENESS OF COMMUNITY DELINEATION

BNBK's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank delineates their community to be an area that includes the cities of Newark, Cord, Charlotte, Sulphur Rock, Magness, Rosie, Oil Trough, Bradford, Thida, and Newport.

COMMUNITY PROFILE

BNBK is located in Newark, Arkansas. Based upon 1990 Census data, there are four BNAs in the bank's delineated community. All of the BNAs are middle income. The bank's service area has a total population of less than thirty thousand. The 1996 HUD statewide non-metropolitan median family income for this area is \$27,300. Approximately 20% of the population is below the poverty level.

Agriculture and related industries play a large role in the local economy. The largest employers include Eastman, Inc. (chemicals) and local school districts. The local economy has been negatively impacted by the decline in the agriculture industry (dairy and beef cattle) and layoffs at what was once the area's largest employer, Arkansas Power & Light.

BANK PROFILE

At December 31, 1995, BNB had total assets of approximately \$12 million. The bank's loan-to-deposit ratio is high at 88%. The loan portfolio consists of approximately \$1.8MM (21%) in agriculture; \$1.2 million (14%) in commercial and commercial real estate; \$2.8 million (32%) in residential real estate; and \$2.8 million (33%) in consumer and other loans. BNB has one location that serves Newark and the surrounding areas.

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.

BNB established ongoing, meaningful contacts with a full range of individuals and groups.

BNB used a variety of methods to determine the credit needs of the local community. Senior management maintained ongoing contact with individuals from local civic, religious, neighborhood, and government organizations. Bank directors, officers, and employees took an active role in the community through involvement in various groups and organizations.

Management determined that affordable housing and loans to small farms and small businesses were the most pressing credit needs in the community. We confirmed these needs through our community outreach. BNB responded by: offering a full range of credit products and banking services that are well-suited to the needs of the community; bringing a loan officer to Newark 1 to 2 days per week from an affiliated bank; allowing more flexible terms on agricultural loans; and providing funding to a builder to develop LMI housing. Refer to Assessment Factors I, J, and H for details.

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 management incorporated CRA into their planning processes.

BNB adopted a business plan for CRA as part of its overall strategic plan. The plan includes specific objectives for CRA performance and an implementation strategy to achieve each objective. The CRA officer provided quarterly reports on CRA performance to the Board which included an analysis of the geographic distribution of loans.

The Board demonstrated a willingness to consider innovative ways to help meet community credit needs. In addition to the actions already mentioned in Assessment Factor A, the bank established a low-cost homebuyer program to provide grants for closing costs, require lower downpayments, and allow higher debt-to-income ratios.

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.

BNBN designed its marketing program to reach all segments of the delineated community.

BNBN's marketing and advertising provides a high level of awareness within the community. The bank marketed its products and services primarily by word of mouth but also used local newspaper and radio advertisements and direct mailings.

BNBN regularly conducted lending and deposit seminars in the community to provide product and service information and access to bank representatives in an informal setting. Customers and potential customers were able to open accounts and apply for loans at these seminars.

BNBN offered onsite loan counseling at several of the major employers in the community. It routinely provided assistance in applying for credit, concentrating especially on providing counseling to owners of small businesses. The bank provided technical assistance in preparing financial projections and business plans.

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.

BNBN has strong performance in meeting the credit needs of its delineated community, primarily through residential, small business, agriculture and consumer loans.

Due to the size of the community, virtually all the bank's lending is to individuals, small businesses, or small farms. At year-end 1995, 64% of the bank's outstanding loan volume was in home loans and loans to individuals. The distribution of loans outstanding per the December 31, 1994 and 1995 Reports of Condition is detailed in the following table.

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LOAN TYPES	1994 DOLLAR AMOUNT (000)	% OF TOTAL	1995 DOLLAR AMOUNT (000)	% OF TOTAL
HOME LOANS	2,478	31%	2,806	32%
COMMERCIAL LOANS	1,441	18%	1,247	14%
AGRICULTURE LOANS	1,561	19%	1,846	21%
INSTALLMENT LOANS	2,460	30%	2,812	32%
OTHER LOANS	132	2%	124	1%
TOTAL LOANS	8,072	100%	8,835	100%

During 1995, BNBK originated 47 first and second mortgage loans totaling \$1.5 million and 16 home improvement loans totaling \$130 thousand. Ninety-five percent of the loans the bank made in 1995 were within the delineated community.

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

BNBK made governmentally-insured, guaranteed, or subsidized loan programs available as needed.

Since the bank established its low-cost homebuyer program, there was not much demand for home loans through government programs. However, the bank still made these programs available through referral to an affiliated bank located 15 miles away.

The bank offered Small Business Administration (SBA) loans. BNBK has made SBA loans in the past, but had no loans outstanding at the time of this evaluation. The bank met the need for small business loans with direct loans as shown in Assessment Factor I.

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.

BNBN's geographic distribution analysis reflects very good distribution of applications and loans throughout the delineated community.

The bank's geographic analysis reflects good loan penetration throughout the delineated community. BNBN's internal analysis was reasonable and is reviewed by senior management and the Board to assess application and loan distribution. The Board uses this information to plan product marketing strategies, evaluate CRA program effectiveness, and determine ways to better serve the community.

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

BNBN's office is convenient to the community members that it serves. The bank maintains traditional business hours.

BNBN's office and drive-through facility have convenient hours of operation. No branches have been opened or closed since the last evaluation.

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).

BNBN does not engage in any practices to discourage applicants from the types of credit offered or extended.

The bank solicited credit applications from all segments of the community. No evidence of discrimination or prohibited practices was detected. Board approved policies address illegal discrimination and pre-screening of applicants.

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

practices.

BNBN is in compliance with the major provisions of anti-discrimination laws and regulations. No illegal credit practices were found.

A fair lending review was performed as part of the compliance examination. The review was based on analysis performed by BBI's loan review staff. There was no indication of any prohibited discriminatory or other illegal credit practices. In addition, a review of adverse action notices found that credit denials were geographically dispersed throughout the delineated community and not concentrated in any specific geographic locations.

V. COMMUNITY DEVELOPMENT

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

The bank actively participated in local development and redevelopment projects as available. Management acted in a leadership role in encouraging economic development.

The bank was active in the following projects:

- BNBN financed the construction of an affordable home by providing a no liability construction loan to a builder. The home will be sold to a LMI family or individual. The bank committed \$1 thousand to assist with move-in costs when the home is completed.
- Bank management led in the initial organization of the Newark Chamber of Commerce.
- BNBN provided financing for the renovation of the downtown area. The bank assisted with the installation of "old-fashioned" street lights in the business district.
- Management was instrumental in the relocation of a poultry plant to Newark.
- The bank made significant investments in local bond issues. At April 30, 1996, the bank had 4 bonds outstanding with balances of \$200 thousand.

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.

BNBN is a financial institution with sufficient managerial and technical resources to help meet the credit needs of its service area.

There are no significant impediments or conditions which impede the bank's ability to meet the community's needs.

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.

BNBN was involved in other activities which benefit the local community.

In response to requests from the community, BNBN established a low-cost checking account.

The bank held a workshop to provide financial counseling for displaced employees of the local power plant.

ADDITIONAL INFORMATION

BNBN is not in a MSA and not subject to HMDA reporting.

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

Office of the Comptroller of the Currency
Midwestern District
2345 Grand Boulevard, Suite 700
Kansas City, Missouri 64108