



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 13, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gateway National Bank of St. Louis
Charter Number 15521**

**3412 North Union Boulevard
St. Louis, MO 63115**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103**

NOTE: This document is an evaluation of this 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. 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

A satisfactory rating is warranted based on the bank's demonstrated ability to meet the community's credit needs, including loans to small businesses.

- A substantial majority of the bank's loans extended during the evaluation period were originated within the bank's assessment area.
- The bank achieved excellent penetration with small business loans to low- and moderate-income geographies.
- Lending to businesses of different sizes exceeds the standard for satisfactory performance.
- Although substantially below its peer group, the bank's loan-to-deposit ratio meets the standards for satisfactory performance based on the financial, economic, and legal impediments faced by the bank.

DESCRIPTION OF INSTITUTION

Gateway National Bank of St. Louis (Gateway) is a wholly owned subsidiary of Gateway Bancshares Incorporated, a one-bank holding company located in St. Louis, Missouri. The bank's main office is located in the northern portion of St. Louis, Missouri, and operates one branch office in a neighborhood grocery store. The bank's primary business focus is small business lending. Gateway does offer consumer loans and refers residential real estate loan applicants to its subsidiary mortgage company, Gateway Capital Mortgage Corporation.

Gateway is one of the smallest financial institutions in the St. Louis Missouri/Illinois Metropolitan Statistical Area (St. Louis MSA). As of March 31, 2002, the bank had total assets of \$38.5 million, net loans totaling \$12.5 million, total deposits of \$34.6 million, and total risk based capital of \$3.4 million. The loan portfolio consists of 65 percent commercial and commercial real estate, 26 percent residential real estate, and 9 percent consumer loans. Small business loans represent the substantial majority of the loans originated during this evaluation period.

Gateway's ability to perform under the Community Reinvestment Act (CRA) has been hampered by a history of poor financial results, a formal agreement aimed at strengthening credit administration and compliance systems, and several external factors.

During the evaluation period, the bank has suffered from poor earning results and low capital

support. The financial weaknesses have hampered Gateway's ability to respond to the considerable credit and investment needs of its immediate community.

In addition, Gateway's immediate trade area is a predominantly low-income community. This community has been plagued with high rates of joblessness and a shrinking commercial business market. The limited opportunities to generate loans consistent with safe and sound banking practices have been dominated by larger and financially stronger financial institutions operating in the assessment area.

On September 22, 2000, the bank was sold and the senior management team was replaced. The new management team is focusing on addressing the aforementioned weaknesses, which has limited their ability to generate new loans. These factors have had a significant adverse impact on the bank's ability to meet the credit needs of its assessment area.

Gateway's prior CRA evaluation was performed as of December 17, 1996. The bank received a rating of Satisfactory.

DESCRIPTION OF ST. LOUIS ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation. The assessment area consists of St. Louis City and St. Louis County and is comprised of 269 census tracts within the St. Louis MSA. The income distribution by census tract includes 15 percent low-income, 21 percent moderate-income, 38 percent middle-income, and 26 percent upper-income. Based on 1990 United States Census Data, the assessment area's total population was 1,390,212 and the median family income was \$37,995. The 2002 updated median family income for the MSA was \$60,400.

Competition is strong with several larger banking institutions competing for the available business. Major banking institutions competing in Gateway's assessment area include US Bank, Bank of America, Commerce Bank, UMB Bank, First Banks, Southwest Bank and Allegiant Bank.

The bank's two offices are both located in a predominately low-income neighborhood, commonly referred to as North St. Louis. Although the bank includes St. Louis County in its assessment area, the vast majority of its deposit and loan customers reside in North St. Louis. This community has experienced significant urban decay over the past years, including major job losses, a proliferation of substandard and abandoned housing, and a drastic decline in the number of small businesses. According to the Missouri Department of Economic Development, the poverty rate in the urban core of St. Louis is well over 30 percent compared to 12.4 percent for the state as a whole. In addition, the unemployment rate for St. Louis City was 9.4 percent compared to 2.8 percent for St. Louis County. These factors have had a negative impact on the bank's ability to generate loan volume within the assessment area.

The largest industries in the assessment area include aerospace and defense contracting, auto manufacturing, finance, wholesale trade, construction, and retail merchandising.

As part of this examination, we contacted a representative of a neighborhood improvement organization knowledgeable about community credit needs. Our contact identified loans to build and purchase low- and moderate-income housing and start-up funds for small business as the primary credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio (LTD) meets the standards for satisfactory performance. The quarterly average for the period January 1, 1997, through March 31, 2002, is 37 percent. Although below the average LTD ratio for similarly situated banks, Gateway's LTD ratio is satisfactory based on the contextual factors. Please refer to the "Description of Institution" and "Description of St. Louis Assessment Area" sections of this evaluation for details on these performance context factors.

Lending in Assessment Area

The bank's level of lending within the assessment area is excellent. We reviewed commercial loans (the bank's primary credit product) to evaluate the bank's CRA performance. Our sample included a review of 30 commercial loans originated during this evaluation period. Of that total, 26 (or 87 percent by number and 91 percent by dollar) were originated within the bank's assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Gateway's effort to meet the credit needs of businesses of different sizes is excellent.

Consumer Loans

The bank's loan portfolio is comprised substantially of commercial purpose loans. Consumer loans comprised only 9 percent of the bank's total loan portfolio. As a result, an analysis of the consumer loan portfolio would not have been meaningful.

Commercial Loans

Gateway's effort to meet small business credit needs is excellent. Businesses with annual gross revenues of \$1 million or less are designated as "small businesses." Our sample indicated that 100 percent of the bank's commercial loans (dollar and number) were to businesses with annual revenues of \$1 million or less. This is particularly noteworthy given that only 81 percent of the businesses in the assessment area had revenues of \$1 million or less.

Geographic Distribution of Loans

The geographic distribution of the bank's small business loans reflects excellent penetration to

low- and moderate-income census tracts. The bank originated a substantial majority of its small business loans in low- and moderate-income census tracts, exceeding area demographics. The following table illustrates these findings:

Geographic Distribution of Commercial Loans				
Income Level of Census Tract	Distribution of Bank's Loans by Number / Dollar		Distribution of Census Tracts	% Of Businesses in the Assessment Area
Low	32%	21%	15%	7%
Moderate	40%	63%	20%	10%
Middle	16%	8%	38%	40%
Upper	12%	8%	26%	42%
NA	0%	0%	1%	1%

Responses to Complaints

There have been no written complaints relating to the bank's CRA performance.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1996.