



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 4, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Arkansas
Charter No. 16941**

**4000 McCain Boulevard
North Little Rock, Arkansas 72115**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, TX 75201**

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

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 Community Reinvestment Act (CRA) performance of **National Bank of Arkansas** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 4, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “*SATISFACTORY*”.

- ▶ The bank's average loan-to-deposit ratio is 83%.
- ▶ A substantial majority of the bank's loans originated in the assessment area.
- ▶ The distribution of borrowers reflects reasonable dispersion among individuals of different income levels and business of different sizes.
- ▶ Geographic distribution of loans by census tract income is reasonable.

The following table indicates the performance level of **National Bank of Arkansas** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>National Bank of Arkansas</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	✓		
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		✓	
Geographic Distribution of Loans		✓	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

National Bank of Arkansas (NBA) is headquartered in North Little Rock, Arkansas. North Little Rock is north of the Arkansas River which separates the city from the state capitol, Little Rock. At March 31, 1997 the bank reported total assets of \$69 million. NBA is 100% owned by National Banking Corporation, a one bank holding company, with total assets of \$63 million at December 31, 1996. NBA operates with eight banking offices. The main office is located in North Little Rock and is a full service institution. Five branches are located in North Little Rock, and one each in Maumelle, Sherwood, and Conway. Conway is approximately 30 miles northwest of Little Rock along Interstate 40. The MacArthur, Conway, and Maumelle branches all opened in 1996. The branch in Sherwood on Kiehl Avenue opened for business May 1997. NBA has seven automated teller machines (ATM) which are located at all the branches with the exception of the Riverfront branch. NBA's primary business focus is small business lending. The loan portfolio composition as of March 31, 1997 consists of the following: 16% commercial, 44% commercial real estate, 8% installment, 27% residential real estate, 4% home equity lines of credit, and 1% agriculture.

NBA is the third smallest commercial bank in the greater Little Rock area. The bank's competition in asset size ranges from \$45 million to \$2.1 billion.

DESCRIPTION OF ASSESSMENT AREA

NBA's assessment area is defined as the cities of North Little Rock, Sherwood, Maumelle, and Jacksonville in north Pulaski County, and all of Faulkner County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. The assessment area is part of the Little Rock/North Little Rock Metropolitan Statistical Area (MSA) which includes the following counties: Pulaski, Faulkner, Saline, and Lonoke. The population of the assessment area is 206,300. The MSA reported a total population of 513,117 based on 1990 Census information. There are 52,261 families in the assessment area of which 20% are low-income, 20% moderate-income, 23% middle-income, and 37% upper-income. Total families for the MSA are reported at 139,377. The 1990 Census Median Family Income (MFI) for the MSA is \$31,597. The 1996 Updated MFI for the MSA is \$37,300, and \$39,000 for the assessment area. The Updated MFI is used to determine the income level of individual borrowers reported on the bank's Home Mortgage Disclosure Act (HMDA) disclosure statement.

There are a total of 39 census tracts in the assessment area. North Pulaski County has 28 census tracts and Faulkner County has 11 census tracts. The income distribution for the census tracts are: 2 low-income, 12 moderate-income, 19 middle-income, and 6 upper-income. The two low-income census tracts are located in the city of North Little Rock. The tract income for census tracts #26 and #28 is 45% (\$14,205) and 27% (\$8,664) of the Census MFI of \$31,597.

Recent contact with community organizations in north Pulaski County revealed that affordable housing and community development are the primary needs in the area.

North Pulaski County:

The employment base in north Pulaski County is diversified and includes a military base, light-medium manufacturing, and retail. The 1990 Business Demographic Data for north Pulaski County showed 4,560 businesses of which 3,300 reported sales less than \$1 million. A total of 71 farms are in north Pulaski County with 68 reporting sales of less than \$1 million. The economy for the area is stable. There has been a boom in the retail sector, particularly in the northeast sector of North Little Rock and the city of Sherwood.

Faulkner County:

The county has a diversified employment base with major businesses being light-medium manufacturing, education, construction, and information data-base provider. The 1990 Business Demographic Data for Faulkner County reported 55 farms with 54 having sales less than \$1 million, and 1,818 businesses with 1,378 having sales less than \$1 million. The economy of the area is considered to be moderately good. Faulkner County has experienced significant growth since the 1990 Census, particularly in the city of Conway. A 1994 count estimated the population for Faulkner County at approximately 72,000, compared to 60,006 at 1990. A 1996 special Census reported a population of Conway at 35,993, compared to 26,481 in 1990.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT

The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. NBA's average loan-to-deposit ratio is 83%. By asset size, NBA is the third smallest commercial bank in the greater Little Rock area and has the highest loan-to-deposit ratio.

ASSESSMENT AREA CONCENTRATION

A substantial majority of the bank's residential mortgage loans and small business loans was made in the bank's defined assessment area.

HMDA Loans:

A majority of residential mortgage loans originated in 1996 was made in the bank's assessment area. NBA originated 127 loans of which 91 or 72% were made in the assessment area. In dollar volumes, NBA originated \$3.7 million in loans, of which \$2.9 million or 78% was made the assessment area. The average loan size is approximately \$32,000.

Small Business and Small Farm Loans:

A sample of 41 business loans and one farm loan totaling \$18.1 million was reviewed for this evaluation. The sample consisted of loans originated in 1996 and 1997. Approximately 57% of the number and 48% of the dollar volume of business and farm loans were made in the bank's assessment area. The average loan size of the sample is \$431,073.

BORROWERS' PROFILE

Given the demographics of the assessment area, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

HMDA Loans:

The following chart shows the number and dollar volume of HMDA reportable loans made in the assessment area.

HMDA Loans by Borrower Income				
Income Level	Count	%	\$000's	%
Low	11	12.1%	323	11.3%
Moderate	13	14.3%	369	12.9%
Middle	14	15.4%	239	8.3%
Upper	53	58.2%	1,941	67.5%
TOTAL	91	100.0%	2,872	100.0%

Out of 109 applications taken in the assessment area, 32 or 29% came from low- and moderate-income applicants.

Small Business and Small Farm Loans:

A small business loan is defined as a loan which originated at \$1 million or less. A small farm loan is defined as a loan which originated at \$500,000 or less. A business is considered small in size if gross annual revenues total \$1 million or less. All of the business loans made in the assessment area originated at less than \$1 million. Approximately 29% of the businesses reported gross revenues less than \$1 million. NBA originated three loans to one farm which totaled \$1.1 million. The farm reported gross revenues of less than \$1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of residential and small business loans reflects a reasonable dispersion throughout the assessment area.

HMDA Loans:

HMDA Loans by Census Tract Income				
CT Income Level	Count	%	\$000's	%
Low	0	0.0%	0	0.0%
Moderate	24	26.4%	1,100	38.3%
Middle	48	52.7%	1,620	56.4%
Upper	19	20.9%	152	5.3%
TOTAL	91	100.0%	2,872	100.0%

No applications were taken from low-income census tracts in 1996.

Small Business and Small Farm Loans:

The distribution of loans made by census tract income is as follows: 2 low-income, 7 moderate-income, 5 middle-income, and 10 upper-income. Of the loans made outside the assessment area, the distribution by census tract income was: 4 moderate-income, 8 middle-income, and 4 upper-income.

RESPONSE TO COMPLAINTS

No complaints concerning CRA have been received since the last examination in April 1994.

ADDITIONAL INFORMATION

DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

The Fair Lending procedures performed during this evaluation disclosed no violations of the substantive provisions of the antidiscrimination laws and regulations.