



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

July 11, 1996

First National Bank and Trust Company
Charter No. 10750
201 W. Walnut Street
Rogers, Arkansas 72757-0809

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 the First National Bank and Trust Company 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 July 11, 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.

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.

Census Tract - Small, locally defined statistical areas within an MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A census tract has defined boundaries per 10 year census and an average population of 4,000.

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.

Low and Moderate Income (LMI)- Income levels which are less than 80% of the median family income. Low income means less than 50% of the median family income.

Community Reinvestment Act (CRA)- A statute that requires federal regulators to evaluate a financial institutions lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institutions 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 MSA's to file annual summary reports of their lending activity. The reports include such data as the race, gender, and income of the applicant(s), the amount of loan requested and its disposition (e.g originated, denied, withdrawn). The types of loan applications reported include governmentally guaranteed home purchase and home improvement, conventional home purchase and home improvement, refinancing of home purchase and home improvement, and 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.]

First National Bank and Trust Company (Rogers)- The bank will be referred to as FNB throughout this Evaluation.

Arvest Bank Group Inc. (ABG)- ABG is the holding company for FNB and eight other banks in Northwest Arkansas and Northeast Oklahoma.

Automatic Teller Machines- This term will be referred to as ATM's throughout this Evaluation.

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 in 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: "Satisfactory Record of Meeting Community Credit Needs".

This evaluation period covers the period of July 1994 through July 11, 1996. The purpose of the CRA is to ensure that financial institutions help meet the credit needs of their local communities. FNB's CRA performance is rated satisfactory because:

- We noted a high volume of lending, particularly in the residential real estate sector. In 1994, the bank was the market leader in residential lending. Most loans are originated within the delineated community.
- There is a reasonable distribution of loans throughout the delineated community.
- There is a reasonable distribution of loans to low, moderate, middle, and upper income borrowers.

REASONABLENESS OF COMMUNITY DELINEATION

FNB's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The delineated community is defined as the cities of Rogers, Pea Ridge, Eureka Springs, Lowell, Berryville and their surrounding areas. Within this area, there are 24 census tracts. Their breakdown by income level is as follows: low income - 0, moderate income - 1, middle income - 22, and upper income - 1.

COMMUNITY PROFILE

Rogers is located in the northwest corner of the state and is the largest city in the delineated community with an estimated population of 33,000. Pea Ridge and Lowell are located 10 miles to the north and 2 miles to the south of Rogers, respectively. These communities are located within Benton County, which is part of the Fayetteville, Arkansas MSA. Eureka Springs and Berryville are located 40 and 50 miles to the east of Rogers in Carroll County. The bank services the adjacent Missouri counties of Barry and McDonald which are located directly to the north of Pea Ridge.

The 1990 census reflects a population of 104,000 for the entire delineated community. The racial composition is reported as 2% American Indian, 1% Hispanic, and 97% White. Since 1990, the area has encountered rapid growth, particularly in the Hispanic sector. Hispanics are now estimated to represent 10% to 15% of the area's total population. The City of Rogers will undertake a special census in 1996 in order to gain more accurate information. Rogers

growth and new development has predominantly occurred in the western half of the city. The majority of the new housing stock is located in this area.

The median family income for the delineated community in 1990 was \$26,000 and is estimated to be \$32,000 in 1996. Based on 1990 census bureau data, approximately 17% of the families in the area are considered low income (with less than 50% of median income), 20% are moderate income (with 50% to 79% of median income), and the remainder have incomes greater than 80% of the median income.

The area's economic base is centered in agriculture (poultry), tourism (Beaver Lake), retail, trucking, and manufacturing. Northwest Arkansas is the headquarters of several major corporations including Wal-Mart, Tyson Foods, Hudson Foods, and J.B. Hunt Trucking. Other large employers include First Brands and Emerson Electric.

BANK PROFILE

FNB is located in Rogers, Arkansas and reported total assets of \$442 million as of December 31, 1995. The bank is part of the multi-bank holding company - Arvest Bank Group, Inc. headquartered in Lowell, Arkansas. FNB operates 8 branch facilities and 18 ATM's. FNB offers full service banking including commercial, real estate, consumer, and agricultural lending. The bank also offers trust and discount brokerage services. The December 31, 1995 Report of Condition reflects a loan to deposit ratio of 77% and the following loan mix:

LOAN TYPE	\$(millions)	PERCENT
Residential Real Estate	117	45%
Commercial Real Estate	45	17%
Construction/Development	32	12%
Commercial	31	12%
Consumer	28	10%
Real Estate - Farmland	5	2%
Other	5	2%
Total	263	100%

The local banking environment is highly competitive. There are approximately ten financial institutions in the Rogers area, three in Eureka Springs, and four in Berryville. FNB is the only financial institution in Lowell and Pea Ridge. FNB is the largest community bank in its delineated community.

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.

- The bank has regular contact with a variety of individuals, community based organizations and government officials to ascertain community credit needs.

FNB's primary methods of ascertaining their community credit needs include:

- direct customer contact,
- Director, officer, staff member organizational affiliation, and
- participation in various financial seminars.

Due to the area's rapid growth, affordable housing is in high demand. Loans to finance the land development, construction, and purchase of such housing has been identified as a primary credit need.

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 of Directors has demonstrated active support for the intent of the Community Reinvestment Act

CRA activities are guided by the Board and their appointed CRA officer. The Board reviews performance via quarterly reporting. The Officer prepares written reports that outline the volume and types of new loans, their geographic distribution, specific loans related to the CRA, and other associated activities.

As required by the regulation, the Board annually reviews and approves the bank's expanded CRA statement. Compliance with the regulation has been achieved.

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.

- FNB's marketing program is designed to reach all segments of its delineated community.

Advertising is both image promotion and product specific. The bank uses traditional and

non-traditional media including radio, newspapers, direct mail, newsletters, educational seminars, and local activities. Marketing coverage extends throughout the delineated community.

FNB has devoted significant resources to help LMI and Hispanic individuals understand the credit application process, basic banking services, and retirement planning. The bank's primary mechanism to assist this market is through frequent seminars presented at many of the local plant sites and churches. The bank's itinerary of seminars includes:

- Introduction to Banking Services (English & Spanish)
- How to Establish a Credit History (Spanish)
- Home Loans in the United States (English & Spanish)
- How to write Checks in English (Spanish)
- Investment and Retirement Plans (English & Spanish)

FNB has gone to extensive lengths to understand the Hispanic Culture and to help these individuals. Management has developed a marketing action plan to assist in their effort. FNB advertises on a local spanish speaking radio station and in Hispanic publications. Several Marketing brochures and ATM's are presented in spanish. The previously mentioned seminars provide valuable guidance that can greatly enhance this sector's quality of life.

The bank's outreach efforts to the Hispanic community have been very effective. The number and dollar volume of loans and deposit accounts has significantly increased since July 1994. The following chart illustrates this 12 month increase.

HISPANIC ACCOUNTS AS OF JUNE 30, 1996				
Product	# of Accounts	12 Month # Increase	\$ Volume (000's)	12 Month \$ Increase (000's)
Deposits	1,948	690	4,338	1,503
Loans	372	128	9,019	3,455

* Source: Internal Bank Reports

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.

- The bank has made a significant effort to meet the credit needs of its delineated community through traditional banking products such as residential, commercial, and consumer loans.

A general measure of a bank's volume of lending is the ratio of its total loans to its total deposits. FNB has a loan-to-deposit ratio of about 75%. This percentage is considered reasonable when consideration is given to the bank's resources, competition, and community credit needs. The following chart is an overview of the bank's loan originations by major category in 1994 and 1995.

Loan Type	1994		1995	
	Number	\$ Volume (millions)	Number	\$ Volume (millions)
Residential	808	50.1	675	41.7
Consumer	2,550	15.4	2,894	16.8
Commercial	504	26.2	488	20.7
All Loans < 5,000	2,868	6.7	3,071	7.1

* Source: HMDA LAR and FNB loan reports

** Residential loan category includes FNB's subsidiary, Arvest Mortgage Company

Residential Real Estate Loans

FNB originates a large volume of residential real estate loans including home purchase, refinance, and home improvement. In 1994, the bank was the market leader in residential lending. Their combined market share within the delineated community totaled 36%. Market data for 1995 was unavailable as of this evaluation date. The following chart provides a detailed breakdown of the bank's number and volume of residential loans by type for 1994 and 1995.

Loan Type	1994		1995	
	Number	\$ Volume (millions)	Number	\$ Volume (millions)
Home Purchase	458	33.5	377	26.3
Refinance	187	14.1	163	13.8
Multifamily	3	0.7	0	0
Home Improvement	160	1.8	135	1.6
Totals	808	50.1	675	41.7

* Source: 1994 and 1995 HMDA LAR

The bank participates in other programs designed for the LMI home buyer. The programs are as follows.

- c** First Time Home Buyer's Program.- This product offers below market interest rates and imposes restrictions on the borrower's income and home purchase price. This program is sponsored and funded through the Arkansas Development Finance Authority. In 1995 and year-to-date 1996, the bank made 36 loans totaling \$2.3 million.
- Rural Housing and Community Development Guaranteed Loan Program (RHCD) - This product is designed to assist the low income borrower purchase a home by reducing the down payment and closing costs. Loan amounts can equal the lesser of the following: 1) the sales price plus closing fees, 2) the appraised value, or 3) the Federal Housing Authority's (FHA) maximum loan amount. Loans can only be offered in areas meeting certain population guidelines. The City of Rogers does not fall within these guidelines, however, other areas within the bank's delineated community do. The bank began offering this government guaranteed product in September, 1995. According to bank management, only a few loans have been originated.
- Home Buyer's Assistance Program - This product provides closing cost assistance to low income borrowers. Up to \$3 thousand may be obtained by attending a home buyer's counseling session and completing the required application. This program is sponsored and funded by the Arkansas Development Finance Authority. The bank began to offer this product in early 1996. According to bank management, only a few applicants have received assistance.

Small Business Loans

Although not an absolute measurement, the size of the loan often provides an indication of the size of business. FNB has made numerous commercial loans originating under \$100 thousand which indicates the bank provides a reasonable degree of small business lending. The following chart depicts by loan size, the number and originating amount of the business loans currently outstanding.

Loan Amount (thousands)	Number	Originating Balance (thousands)
\$0 - 9.99	287	1,409
\$10 - 24.99	299	4,591
\$25 - 49.99	177	5,979
\$50 - 99.99	215	14,739
Total Under \$100	978	26,718
\$100 - over	494	156,491

* Source: Internal bank reports

** Chart includes commercial and commercial real estate loans

Other Loans

- Certificate of Deposit Loan Program - This product is designed to help the customer, who has never borrowed money, establish a credit history. In turn, this helps them qualify for loans to purchase homes, automobiles, and other necessary items. The program works as follows. The bank provides the borrower with a \$500 loan. A certificate of deposit is purchased with the loan proceeds and used as collateral. The borrower repays the loan within a specified period of time. Since the program's implementation in 1995, the bank has made 84 loans, 29 of which have been to Hispanics.
- The Office of Human Concern Micro Loan Program - This product was implemented in 1995 and offers interest free loans to low income individuals in need of assistance. The maximum loan amount is \$500 to be paid in monthly installments over a one year period. Several area banks participate in this program donating various amounts of money. FNB has donated \$1.8 thousand into a total loan pool of \$9 thousand. Since the program's inception, six loans have been made totaling \$2 thousand.
- Loans \$5 thousand and under - In 1994 and 1995 combined, the bank made almost six thousand of these small loans totaling \$13.8 million. This lending activity further exemplifies the bank's commitment to service the needs of its community.

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

- FNB actively participates in governmentally insured, guaranteed, or subsidized loan programs.

FNB and its subsidiary, Arvest Mortgage, participate extensively in the Federal Housing Authority (FHA) program and to a lesser degree in the Veterans Administration (VA) and Rural Housing and Community Development (RHCD) programs. In 1994 and 1995 combined, the bank originated 297 of these type loans totaling \$19.4 million. Based on 1994 HMDA data, FNB was their delineated community's leader in this type of lending with 44% of the market share.

FNB also participates in the SBA lending program. In 1994 and 1995 combined, the bank made 19 of these loans within their delineated community totaling \$2.1 million.

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.

- FNB's volume of lending to LMI individuals is good. The distribution of loan applications, approvals, and denials represents a reasonable pattern throughout the delineated community.

In 1994, the bank made 22% of their home purchase, refinance, and home improvement loans to LMI individuals. In 1995, this number increased to 26%. The following chart depicts the number of home related loans the bank originated by borrower income level in 1995.

Applicant Income	Loans Originated	% of Originations
Low	47	7%
Moderate	129	19%
Middle	210	31%
Upper	288	43%

*Source: 1995 HMDA LAR

In 1994, the bank was the market leader within their delineated community regarding residential lending to LMI applicants. The bank captured 37% of the market. Market share data for 1995 had not been compiled as of the examination date and was, therefore, unavailable.

The bank has a system to identify the geographic distribution of both approved and denied loans by census tract. The Board and management monitor this data on a quarterly basis to determine if there are unwarranted gaps in their lending distribution. This examination revealed no such gaps. In 1994 and 1995 combined, the bank made 83% of its loans

within its delineated community.

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

- The bank has a satisfactory record of opening and closing offices. FNB's facilities are conveniently located and provide business hours tailored to the needs of the delineated community.

The bank has a main facility and 8 branch locations; 2 in Rogers, 1 in Lowell, 1 in Pea Ridge, 2 in Eureka Springs, and 2 in Berryville. The bank also has 18 ATM's scattered throughout their delineated community. Business hours are convenient with extended weekday hours available in Rogers and Berryville. The bank is also open on Saturdays in each market. ATM's are assessable 24 hours a day. Management reviews services and hours of operation on a periodic basis to determine the need for any changes.

FNB has opened two branches in the past two years; one in the Rogers Wal-Mart Supercenter and the other in the Eureka Springs/Holiday Island area. Three ATM's have been opened in this same time period. No branch closures have occurred over the past two years. The Board has developed such a policy in the event a closure should occur.

As eluded to earlier, FNB offers full service banking including commercial, real estate, consumer, and agricultural lending. The bank also offers trust and discount brokerage services.

Other unique services include a 24-hour account information line. Customers can access information about their deposit and loan accounts as well as current interest rates. The bank has instituted a "Quick Qualifier" program. The program informs potential home loan applicants of their maximum payment range.

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).

- FNB does not engage in any practices to discourage loan applicants.

Credit applications are solicited from all segments of the community, including LMI and minority individuals. The bank's policies, procedures, and training programs address the requirements of the Fair Housing Act, the Equal Credit Opportunity Act, and the Home Mortgage Disclosure Act. No practices or policies were identified that would tend to discourage individuals from applying for credit.

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

- No evidence of prohibited discrimination or other illegal credit practices was found.

A fair lending examination was performed as a part of the concurrent compliance examination. We conducted a comparative analysis of used automobile loan applications processed from January through April 1996. Our loan sample included a comparison of 15 applications denied to Hispanic applicants (representing 100% of the Hispanic denials) and 60 loans approved to white applicants. Based on examination results, we found no instances of illegal discrimination or other illegal credit practices.

V. COMMUNITY DEVELOPMENT

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

- FNB's contribution towards community development is primarily through direct lending.

Management and the Board have established working relationships with government and private sector representatives and are aware of developmental opportunities as they arise.

The bank has made numerous loans related to housing, business, health care, day care, and education. All promoted job growth and development of the delineated community. A few of the bank's accomplishments are highlighted below.

- In 1994, 1995, and year-to-date 1996, the bank made 5 "affordable housing" development loans: 4 in the Rogers area and 1 in the Berryville area. The dollar volume of these loans totaled \$873 thousand. The number of developed lots totaled about 180. The price range of the homes is from \$55 to \$65 thousand. In addition, the bank has approximately \$2 million in lines of credit available to the builders that cater to the affordable housing market. This lending has helped satisfy a primary credit need.
- In the same time period mentioned above, the bank made an additional 10 residential development loans totaling about \$4.3 million. The price range for these homes was \$70 thousand and higher. All developments were in the Rogers area.
- In 1994, the bank loaned \$3.8 million for the construction of 6 apartment complexes with units totaling over 180. Three of the projects were in the Eureka/Berryville area. The other three were in the Rogers area.

- In 1996, the bank extended credit to a business for the purchase of a building. The structure had been recently vacated by another business that laid-off 200 employees. The loan enabled the new owner to expand his business and create an additional 50 jobs in the Rogers area.
- In 1996, the bank financed the construction of a Hispanic church.

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.

- FNB's efforts to meet its community's credit needs are consistent with its size and financial resources.

FNB has the financial capacity, resources, and willingness to meet the credit needs of the local community. For additional information, please refer to the "Bank Profile" and "Community Profile" sections located at the beginning of this evaluation.

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.

- The bank has engaged in other activities that have benefited the community.

The bank has made several donations to various organizations for educational, housing, and other worthwhile purposes. The bank's donations in 1994 and 1995 totaled 58M.

Bank officers and employees participate in a variety of activities that promote a better community. They actively take part in civic, religious, and charitable organizations.

ADDITIONAL INFORMATION

None.