



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 5, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**National Bank Of Arkansas
Charter Number 16941**

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

**Comptroller of the Currency
F. Christian Dunn, Assistant Deputy Comptroller
10201 West Markham, Suite 105
Little Rock, AR 72205**

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 the National Bank Of Arkansas, North Little Rock, AR as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 5, 2001. 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 average loan-to-deposit ratio at 89% is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

National Bank of Arkansas (NBA) has its main office in North Little Rock, Arkansas. North Little Rock is located north of the Arkansas River, which separates the city from Little Rock, the state capital.

NBA has seven branches, four in North Little Rock, and one each in the cities of Sherwood, Maumelle, and Conway. Sherwood and Maumelle are adjacent to North Little Rock, and Conway is approximately 30 miles northwest of Little Rock along Interstate 40. The NBA branch located on MacArthur Drive in North Little Rock was closed in November 1998 due to the low volume of activity.

This branch was located inside a convenience/gasoline store. The bank conducted the required feasibility study and made the proper disclosures prior to, during, and after closing. No other branch has closed or opened since the previous CRA evaluation. The main office and all of the branches have drive-up facilities. The main office and all of the branches, except the Riverfront Branch, have automated teller machines (ATMs). As of September 30, 2000, the bank reported total assets of \$107 million with \$80 million in total loans (75% of total assets).

The bank's primary business focus is small business lending. About 65% of the loan portfolio is commercial and commercial real estate loans. NBA offers agriculture, agricultural real estate, commercial, commercial real estate, home mortgage, home improvement, and consumer loans. The loan portfolio composition as of September 30, 2000, is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Agriculture	\$983	1%
Commercial and Commercial Real Estate	52,142	65%
1-4 Family Residential	22,007	27%
Consumer	5,249	7%
TOTAL	80,381	100%

Source: 9-30-2000 Call Report

NBA offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment area. There are no financial impediments that would limit the bank's ability to meet the credit needs in its assessment area. NBA is 100% owned by National Banking Corporation, a one-bank holding company, with total assets of \$107 million as of September 30, 2000.

This Office conducted the previous CRA evaluation as of June 4, 1997. The bank's CRA performance was rated "Satisfactory."

NBA is the fourth smallest commercial bank in the greater Little Rock area. There are 13 local banks located in the North Little Rock/Little Rock/Conway area with asset size ranging from \$39 million to \$827 million as of September 30, 2000. There are also branches of multi-national banks such as the Bank of America, multi-state banks such as FirStar/US BancCorp (Minneapolis, MN), and Regions Bank (Birmingham, AL), and other large community banks that are headquartered in Arkansas such as Simmons First National Bank (Pine Bluff, AR).

DESCRIPTION OF NORTH PULASKI AND FAULKNER COUNTIES, ARKANSAS

The bank's assessment area is north Pulaski County, which includes the cities of North Little Rock, Sherwood, Maumelle, and Jacksonville, and all of Faulkner County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income geographies. This assessment area is part of the Little Rock/North Little Rock Metropolitan Statistical Area (MSA), which includes Pulaski, Faulkner, Saline and Lonoke counties. There is no other bank in the greater Little Rock area that has the same assessment area as NBA. Local Little Rock area banks generally include all of Pulaski County and perhaps all of Faulkner County, and Conway banks generally include all of Faulkner County, but not Pulaski County.

According to 1990 Census Data, the MSA had a population of 513,117 and the assessment area had a population of 206,300. In 1990, the median family income (MFI) for the Little Rock/North Little Rock MSA was \$31,597. The 1990 MFI income figure is used to determine the income level of individual census tracts. There are 39 census tracts (CTs) in the assessment area with 28 CTs in north Pulaski County and 11 CTs in Faulkner County.

The Department of Housing and Urban Development (HUD) estimated that the median family income in Arkansas for year 2000 was \$47,100. The HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The following table shows the distribution of CTs and families that comprise the bank assessment area based on the 1990 Census Data, and year 2000 HUD income distribution.

1990 Income Distribution of CT's and Families & 2000 HUD Income															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
CT		Families		CT		Families		CT		Families		CT		Families	
2	5%	2,148	3%	12	31%	19,861	26%	19	49%	39,662	52%	6	15%	14,279	19%
\$23,549 and Under				\$23,550 - \$37,679				\$37,680 - \$56,519				\$56,520 and Over			

Sources: 1990 U.S. Census & 2000 HUD

The two low-income CTs are located in North Little Rock. Tract #26 and #28 income levels were 45% (\$14,205) and 27% (\$8,664), respectively, of the Little Rock/North Little Rock MSA medium family income of \$31,597 for 1990.

The local economy of North Pulaski County is considered to be stable, while the economy of Faulkner County is considered to be moderately good. The December 2000 unemployment rate for Pulaski County was 3.1%, and for Faulkner County the rate was 3.0%. The December 2000 unemployment rate for the state of Arkansas was 4.1%, and the national unemployment rate was 4.0%. The 2000 Business Demographic Data for north Pulaski and Faulkner Counties showed 8,191 businesses of which 7,191 or 88% reported sales of less than \$1 million. There were 229 farms, of which 221 or 97% reported revenues of less than \$1 million.

The economy in North Pulaski County is diversified and includes a military base, light-medium manufacturing industries, and retail sales. Major employers include the Little Rock Air Force Base in Jacksonville (4,500 military and 1,000 civilian employees), Fort Roots Veterans Hospital in North Little Rock (3,000 employees) and Union Pacific Railroad in North Little Rock (2,200 employees). The state's largest mall, McCain Mall (with an estimated 10 million annual shoppers), is located in North Little Rock. In recent years, there has been a boom in the retail sector, particularly in the northeast part of North Little Rock, and in Sherwood along McCain Boulevard and US Highways 67/167 toward Jacksonville.

Faulkner County has a diversified employment base with major businesses being light-medium manufacturing industries, education, construction, and information data providers. Major employers include Acxiom, Inc. (information data provider with 2,500 employees), Virco Manufacturing Company (school equipment with 2,000 employees), and the University of Central Arkansas (2,000 employees and 9,000 students), all located in Conway, AR. The county has experienced significant growth since the 1990 census, particularly in the city of Conway. For 2000, Conway has an estimated population of 46,000 compared to 35,993 at the 1996 special census and 26,481 in 1990. The 2000 estimated population of Faulkner County is 90,000, compared to 60,006 in 1990.

According to the 1990 Census data, 59% of the housing units in the assessment area are owner-occupied. The median housing value is \$56,968 with 1971 as the median year built. About 14% of the population had income below the poverty level.

A community contact with the manager of the Home Ownership Center of the Argenta Community Development Corporation, North Little Rock, AR, was conducted in conjunction with this CRA examination. This contact revealed that affordable housing and community development are the primary needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. There are 13 local financial institutions in the greater Little Rock area and branches of non-local financial institutions. None of the banks have the same assessment area as NBA. The following table shows total assets as of September 30, 2000 and the average loan-to-deposit ratio from December 31, 1997 through September 30, 2000 (12 quarters), based on Call Reports, for the local greater Little Rock banks, except Twin City Bank, North Little Rock, AR. Twin City Bank opened June 1, 2000.

Institution	Total Assets (Millions)	Avg. L/D Ratio
National Bank of Arkansas North Little Rock, AR	\$107	89%
Capital Bank Little Rock, AR	\$62	84%
Central Bank Little Rock, AR	\$119	75%
Eagle Bank Little Rock, AR	\$62	64%
Metropolitan National Bank Little Rock, AR	\$632	81%
One Bank Little Rock, AR	\$183	68%
Bank of the Ozarks Little Rock, AR	\$827	77%
Pinnacle Bank Little Rock AR	\$108	93%
Pulaski Bank Little Rock, AR	\$286	83%
Twin City Bank North Little Rock, AR	\$39	51%
First Community Bank Conway, AR	\$193	71%

First State Bank Conway, AR	\$206	79%
First Arkansas Bank Jacksonville, AR	\$205	70%

Lending in Assessment Area

A majority of loans, especially by number of loans, were made in the bank assessment area. Since NBA is in a MSA, it is required to file a Home Mortgage Disclosure Act (HMDA) form annually. A sample of 30 consumer and 30 commercial loans made during year 2000 was also taken to determine lending within the bank assessment area. Lending within the assessment area is detailed in the following table.

Loan Type	Distribution of Loans in Assessment Area (AA) Inside versus Outside 2000									
	AA	#	%	\$(000)	%	AA	#	%	\$(000)	%
HMDA - Purchased	IN	19	76%	\$1,485	72%	OUT	6	24%	\$587	28%
HMDA- Home Improvement	IN	33	79%	\$443	67%	OUT	9	21%	\$223	33%
HMDA - Refinancing	IN	28	72%	\$1,407	67%	OUT	11	28%	\$678	33%
Consumer	IN	28	93%	\$258	90%	OUT	2	7%	\$28	10%
Commercial	IN	25	83%	\$1,633	80%	OUT	5	17%	\$415	20%
Total	IN	133	80%	\$5,226	73%	OUT	33	20%	\$1,931	27%

Sources: NBA 2000 HMDA and OCC Loan Sample

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. HMDA reportable loans and a sample of 30 consumer loans made during year 2000 were used to determine lending to borrowers of different incomes. Of the consumer loans, 28 were made within the assessment area. Income information was available on 23 of the 28 loans. The 23 consumer loans were used to determine the income distribution of consumer borrowers. The table below shows the distribution by borrower income levels for the number and dollar volume of loans originated during 2000.

Distribution of Consumer Real Estate and Consumer Loans in Assessment Area By Borrower Income								
Income Level	Low		Moderate		Middle		Upper	
	#/\$	%	#/\$	%	#/\$	%	#/\$	%
# Families	2,148	3%	19,861	26%	39,662	52%	14,279	19%
# HMDA Originated	1	5%	3	16%	2	11%	13	68%
\$ HMDA Originated (000)	\$35	2%	\$186	13%	\$197	13%	\$1,067	72%
# HMDA Home Improvement	1	3%	7	21%	5	15%	20	61%
\$ HMDA Home Improvement	\$25	6%	\$49	11%	\$63	14%	\$306	69%
# HMDA Refinancing	1	4%	4	14%	13	46%	10	36%
\$ HMDA Refinancing	\$23	2%	\$140	10%	\$785	56%	\$459	32%
# Consumer Loans	9	39%	3	13%	6	26%	5	22%
\$ Consumer Loans (000)	\$58	25%	\$44	19%	\$69	29%	\$63	27%

Sources: 1990 U.S. Census, 2000 HMDA & OCC Loan Sample

Residential real estate lending by number and by dollar volume for low-income borrowers approximates the percent of the population that are low-income. Consumer lending by number and by dollar volume for low-income borrowers is significantly above the percent of the population that are low-income. Residential real estate lending and consumer lending to moderate-income borrowers are below the percent of population that are moderate-income. However, consumer lending to low-income and moderate-income borrowers by number and by dollar volume exceeds the percent of the population that are low-income and moderate-income.

Based on the sample of 30 business/commercial loans made in 2000, NBA has a satisfactory record of making loans to businesses of different sizes. Of the 30 business loans, 25 were made within the assessment area. Of the 25 loans, three were paid leaving 22 to determine the income levels. Of the 22 loans, 19 or 86% were made to businesses with gross annual revenues of \$1 million or less. The 2000 Business Demographic data reported 8,191 businesses in the assessment area of which 7,191 (88%) have gross annual revenues of less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans shows a reasonable dispersion throughout the assessment area.

HMDA reportable loans and a sample of 30 consumer loans made during year 2000 were used to determine the geographic distribution. Of the consumer loans, 28 were made within the assessment area. Two loans were paid leaving 26 loans with census tract information. The 26 consumer loans were used to determine the geographic distribution of consumer borrowers. Most of the consumer real estate loans and consumer loans were made to borrowers in the middle and upper census tracts. The geographic distribution of consumer loans is detailed in the following table.

Distribution of Consumer Real Estate and Consumer Loans in Assessment Area By Census Tracts								
Income Level	Low		Moderate		Middle		Upper	
	#/\$	%	#/\$	%	#/\$	%	#/\$	%
# Census Tracts	2	5%	12	31%	19	49%	6	15%
# Owner-Occupied Housing		2%		21%		55%		22%
# HMDA Originated	0	0%	3	16%	12	63%	4	21%
\$ HMDA Originated (000)	\$0	0%	\$108	7%	\$1,031	70%	\$346	23%
# HMDA Home Improvement	1	3%	2	6%	14	42%	16	48%
\$ HMDA Home Improvement	\$18	4%	\$5	1%	\$217	49%	\$203	46%
# HMDA Refinancing	0	0%	5	18%	17	61%	6	21%
# Households		3%		24%		53%		20%
# Consumer Loans	1	4%	6	23%	14	54%	5	19%
\$ Consumer Loans (000)	\$0	0%	\$37	15%	\$139	56%	\$74	29%

Sources: 1990 U.S. Census, 2000 HMDA & OCC Loan Sample

The geographic distribution of commercial loans shows a reasonable dispersion throughout the assessment area. A sample of 30 commercial loans made during year 2000 was used to determine the geographic distribution. Twenty-five were made within the assessment area. Three loans were paid leaving 22 loans with census tract information. The 22 loans were used to determine the geographic distribution of commercial borrowers. Most of the loans were made to borrowers in the middle and upper census tracts. The geographic distribution of commercial loans is detailed in the following table.

Distribution of Commercial Loans in Assessment Area By Census Tracts								
Income Level	Low		Moderate		Middle		Upper	
	#/\$	%	#/\$	%	#/\$	%	#/\$	%
# Census Tracts	2	5%	12	31%	19	49%	6	15%
# Businesses	311	4%	2,632	32%	3,580	44%	1,668	20%
# Commercial Loans	0	0%	4	18%	11	50%	7	32%

\$ Commercial Loans (000)	\$0	0%	\$98	8%	\$637	51%	\$505	41%
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Sources: 1990 U.S. Census & OCC Loan Sample

Response to Complaints

National Bank of Arkansas has not received a formal CRA complaint since the previous examination.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

Since the bank was not selected for a fair lending review, a fair lending examination was not conducted in conjunction with the bank's CRA performance. Instead, technical compliance with the Equal Credit Opportunity Act (Regulation B) and the Fair Credit Reporting Act was performed. No violations of law or regulation were noted.