



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Arkansas Bank, N.A.
Charter No. 22543**

**12th and Main Streets
Batesville, Arkansas 72503**

**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 **The Arkansas Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 30, 1998**. 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 conclusion is based on the following:

- ▶ The loan to deposit ratio is reasonable given the bank's size, financial condition, and in comparison with local financial institutions.
- ▶ A substantial majority of the bank's lending is within its assessment area.
- ▶ The bank's lending performance reflects a reasonable penetration among individuals of different income levels. Also, a majority of the bank's commercial lending is to small businesses and farms.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Arkansas Bank, N.A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not meaningful for analysis purposes.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Arkansas Bank, N.A. has a main office and branch located in Batesville, Arkansas, and another branch location in Newport, Arkansas, approximately 30 miles southeast. All locations have drive-up facilities with automated teller machines (ATMs) only at the branch locations. Lending services are provided at all locations except for the Batesville branch. The bank is 100% owned by Arkansas Banking Company, a multi-bank holding company located in Jonesboro, Arkansas. Affiliate banks include The Arkansas Bank in Jonesboro and Walnut Ridge, Arkansas, and The Planters Bank in Osceola, Arkansas.

As of December 31, 1997, the bank reported total assets of \$51 million with \$31 million in total loans. The bank's primary business focus is to increase its agriculture, commercial, and consumer lending. The bank's loan portfolio composition as of December 31, 1997, is as follows:

Loan Type	Dollar Volume (000)	Percent of Loan Portfolio
1-4 Family Residential	11,091	36%
Consumer Loans	4,828	15%
Agricultural Production	4,700	15%
Commercial	4,281	14%
Commercial Real Estate	3,583	11%
Farmland	2,683	9%
Total Loans	31,166	100%

There are no financial restrictions that would hinder the bank from meeting assessment area credit needs. This Office performed the last CRA examination as of May 1995, and the bank was rated Satisfactory.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area consists of two counties, Jackson and Independence, and is comprised of 13 block numbering areas (BNAs). The town of Newport serves as the county seat of Jackson, and Batesville is the county seat of Independence. The table below provides the economic breakdown of the geographies and families located in the bank's assessment area.

Jackson and Independence Counties															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
BNAs		Families		BNAs		Families		BNAs		Families		BNAs		Families	
0	0%	2,885	20%	0	0%	2,473	17%	11	85%	3,085	21%	2	15%	6,009	42%

Source: Demographic Data - 1990 U.S. Census

According to the 1990 Census data, the assessment area population is 50,136. In 1990, the median family income (MFI) for non-metropolitan statistical areas (MSA) in Arkansas was \$22,420. The Department of Housing and Urban Development estimates the median family income for 1997 at \$29,500. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

The town of Batesville continues to broaden its economic base with diversified industries of agriculture, education, manufacturing, and medical. The February 1998 unemployment rate for Independence County is 4.6%. In contrast, the economy in Jackson County is depressed with an April 1998 unemployment rate of 12.30%. Agriculture is the dominant industry in Jackson County. The state unemployment rate as of February 1998 is 4.7%.

Financial competition in the assessment area primarily consists of a \$247 million state bank headquartered in Batesville, AR, a \$29 million state bank headquartered in Batesville, AR, and a \$92 million state bank headquartered in Newport, AR.

A community contact was conducted during the CRA examination, and a review of another regulatory agency's community contact in the assessment area was also performed to gather data on community credit needs. The community needs identified by the contacts were affordable housing and rental housing. The contacts believed the banks are meeting credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable given the bank's size, financial condition, and in comparison with local financial institutions. The average loan to deposit ratio since the May 1995 CRA examination is 50%. During the past ten quarters, the bank's loan to deposit ratio ranged from 31% on September 30, 1995 to 68% on December 31, 1997. The local competitors' loan to deposit ratios ranged from 55% to 68% during the same evaluation period.

Lending in Assessment Area

A substantial majority of the bank's lending is within its assessment area. Out of 1,495 loans originated in 1997, 1,305 or 87% were made in the assessment area. In terms of dollar volume, Arkansas Bank originated \$24 million in loans in 1997 of which \$19 million or 79% were made in the assessment area.

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

A sample analysis of direct auto, home, and unsecured loans originated in 1997 revealed a reasonable penetration among individuals of different income levels. Approximately 19% of the sample loans were made to low-income individuals, 19% to moderate-income individuals, 29% and 33% to middle- and upper-income individuals, respectively.

Management stated a majority of the bank's commercial lending is to small businesses or farms (defined as businesses or farms with gross revenues less than \$1 million). A sample analysis of agriculture and commercial loans originated in 1997 revealed 100% of the agriculture and 87% of the commercial loans were to small farms and businesses, respectively.

Geographic Distribution of Loans

This Office did not perform a geographic distribution analysis of the bank's lending performance during this evaluation period. The analysis would not be meaningful since all BNAs in the assessment area are designated as either middle- or upper-income areas.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

The Fair Lending review performed during this evaluation period did not disclose any violations of the substantive provisions of the antidiscrimination laws and regulations.