

PUBLIC DISCLOSURE

April 27, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Commerce
Charter Number 12429**

**100 West Grove Street
El Dorado, Arkansas 71730**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 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 Commerce** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 27, 1999. 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.

- , Reasonable loan to deposit ratio of 56% given the bank's size and in comparison with local financial institutions.
- , A substantial majority of the bank's lending is within the assessment area.
- , The distribution of borrowers 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.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>National Bank of Commerce</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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

National Bank of Commerce (NBC) has a main office and two branches located in El Dorado, and a branch in Huttig (30 miles east of El Dorado), AR. The Huttig branch was opened since the previous CRA evaluation, and no branches have been closed. Both the El Dorado branches have drive-up facilities and automated teller machines (ATM's). The main office and the Huttig branch do not have an ATM. There is stand alone ATM located in the Expressway convenience store at North West Avenue, the city's busiest street. Lending services are available only at the main office. As of March 31, 1999, the bank reported total assets of \$149 million with \$65 million in total loans (44% of total assets).

The bank's primary business focus is commercial real estate loans at 34% of net loans and residential home loans at 31%. NBC offers mortgages, home improvement, agricultural real estate, commercial real estate, commercial, and consumer loans. The bank does not make farm loans. The loan portfolio composition as of March 31, 1999, is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Commercial Real Estate	\$22,134	34%
1-4 Family Residential	20,225	31%
Commercial	13,525	21%
Consumer	9,041	14%
TOTAL	64,925	100%

Source: 3-31-99 Call Report

NBC 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.

The bank is 100% owned by NBC Bank Corp., a one-bank holding company with total assets of \$159 million. This Office conducted the previous CRA evaluation as of August 26, 1996, and the bank was rated "Satisfactory."

DESCRIPTION OF UNION COUNTY, ARKANSAS

The bank's assessment area is Union County Arkansas. There are 10 block numbering areas (BNA's) in the assessment area: one moderate-income BNA, four middle-income BNA's and five upper-income BNA's. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to 1990 Census Data, Union County had a population of 46,719. El Dorado is the county seat and largest city in the county with a population of 23,146. In 1990, the median family income (MFI) for non-Metropolitan Statistical Areas (MSA) in Arkansas was \$22,420. The MFI income figure is used to determine the income level of individual BNA's. BNA 9509, located in the southwestern part of El Dorado is moderate-income. BNA's 9501, 9503, 9506, and 9510 are middle-income, and BNA's 9502, 9504, 9505, 9507, and 9508 are upper-income.

The Department of Housing and Urban Development (HUD) estimated that the median family income in Arkansas for 1997 and 1998 were \$29,500 and \$30,100, respectively. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually. The following table shows the distribution of BNA's and families that comprise the bank's assessment area based on the 1990 Census, with 1998 HUD income distribution.

1990 Income Distribution of BNAs and Families & 1998 HUD Income															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
BNA		Families		BNA		Families		BNA		Families		BNA		Families	
0	0%	2,552	20%	1	10%	1,872	14%	4	40%	2,296	18%	5	50%	6,267	48%
Under \$15,050				\$15,050 - \$24,079				\$24,080 - \$36,119				Over \$35,120			

Source: 1990 U.S. Census & 1998 HUD

The local economy is stable. The March 31, 1999, unemployment rates for Union County were 6.2%. The March 31, 1999, unemployment rate for the state of Arkansas was 4.4%, and the national unemployment rate was 4.4%. Once largely dependent on oil and gas production, the employment base has diversified and now includes the poultry, timber, and light manufacturing industry. The 1990 Business Demographic data reports 29 farms and 1,715 businesses in the assessment area of which 22 (76%) farms and 1,263 (74%) businesses have gross annual revenues of less than \$1 million. There are four independent financial institutions and branches of non-local financial institutions located in the assessment area.

Through discussion on a community contact with the El Dorado Chamber of Commerce,

affordable owner-occupied housing was identified as a need. According to the 1990 Census data, 65% of the housing units are owner-occupied. The median housing value is \$41,129 with 1963 as the median year built.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The following table shows total assets (as of March 31, 1999) and the average loan-to-deposit ratio from September 30, 1996 to December 31, 1998 (10 quarters) of the banks in the assessment area.

Institution	Total Assets (Millions)	Avg. L/D Ratio	Number of Offices
First Financial Bank, El Dorado, AR	\$313	88%	11
First National Bank, El Dorado, AR	\$248	37%	5
National Bank of Commerce, El Dorado, AR	\$149	56%	4
Smackover State Bank, Smackover, AR	\$92	60%	3

Source: FDIC

First Financial Bank was formerly a savings and loan institution with statewide branching including the state’s two fastest growing areas: Fayetteville/Springdale, and Conway.

First National Bank is almost twice the size of NBC, and is the lead bank of a ten-bank holding company having total assets of about \$2 billion.

Neither First Financial Bank nor First National Bank, are considered to be similarly situated to NBC. Smackover State Bank, although about \$50 million smaller than NBC, is considered to be similarly situated.

Lending in Assessment Area

The bank geocodes, by BNA's, all loans made during the calendar year, including renewals. Since renewals are included in the bank's data, the internal geographic distribution of credit extensions is not considered valid. To be valid, the geographic distribution of credit extensions should only include loan originations. The geographic distribution of loans is based on a sample of 83 loans, from May 1, 1998 to April 30, 1999, consisting of the following: 30 business loans, 31 installment loans, and 22 home purchase loans. Based on this sample, a substantial majority of loans originated in the bank's assessment area. Lending within the assessment area is detailed in the following table.

Distribution of Loans in Assessment Area Inside versus Outside May 1, 1998 through April 30, 1999										
LOAN TYPE	AA	#	%	\$(000)	%	AA	#	%	\$(000)	%
Installment	IN	27	87%	\$127	85%	OUT	4	13%	\$22	15%
RE Home Purchased	IN	18	82%	\$623	80%	OUT	4	18%	\$151	20%
Commercial	IN	28	93%	\$2,281	95%	OUT	2	7%	\$125	5%
Total	IN	73	88%	\$3,031	91%	OUT	10	12%	\$298	9%

Source: 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. About 53 loans, consisting of 31 installment and 22 home purchase mortgage loans, were used to determine the bank's record of lending to borrowers of different income levels. The table below shows the distribution by borrower income levels for the number and dollar volume of loans originated for May 1998 through April 1999.

Distribution of Real Estate and Consumer Loans in Assessment Area by Borrower Income								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	2,544	23%	2,270	21%	2,781	26%	3,289	30%
# RE Home Purchased	2	9%	2	9%	4	18%	14	64%
\$ RE Home Purchased	\$17,500	2%	\$33,268	4%	\$96,688	13%	\$627,024	81%
# Installment Loans	4	13%	9	29%	7	23%	11	35%
\$ Installment Loans	\$12,497	8%	\$49,000	33%	\$18,500	12%	\$69,368	47%

Sources: 1990 U.S. Census & OCC Loan Sample

Real estate lending at 18% (by number) for low and moderate income borrowers is relatively low in relation to the percent of the population that is low- and moderate-income at 44%. This lower than average number is due to the low demand from these groups for housing with the loan demands centered in consumer or installment lending. For installment loans, the volume of low- and moderate-income borrowers by number at 42% and by dollar at 41% approximate the low- and moderate-income population.

Based on the sample of 30 loans taken during this examination, NBC has a satisfactory record of making loans to businesses of different sizes. Of the 30 business loans, 18 or 60% by number and \$843,000 or 35% by dollar volume were made to small businesses with gross annual revenues of \$1 million or less. As noted under the description of Union County, the 1990 Business Demographic data reports 29 farms and 1,715 businesses in the assessment area of which 22 (76%) farms and 1,263 (74%) businesses have gross annual revenues of less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. A reasonable number of loans are made in moderate income tracts commensurate with the population, number of businesses, and percentage of owner-occupied in the tracts. The geographic distribution by consumer or installment loans, business and commercial real estate loans, and real estate home mortgage loans are detailed in the next three tables.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS WITHIN THE BANK'S ASSESSMENT AREA							
	LOW-INCOME TRACTS	MODERATE-INCOME TRACTS		MIDDLE-INCOME TRACTS		UPPER-INCOME TRACTS	
% POPULATION	0%	8%		38%		55%	
CONSUMER LOANS	0%	1	4%	13	48%	13	48%

Source: 1990 U.S. Census and OCC Installment Loan Sample

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS WITHIN THE BANK'S ASSESSMENT AREA							
	LOW-INCOME TRACTS	MODERATE-INCOME TRACTS		MIDDLE-INCOME TRACTS		UPPER-INCOME TRACTS	
% BUSINESS	0%	158	9%	652	37%	934	54%
BUSINESS LOANS	0%	5	18%	8	29%	15	53%

Source: 1990 U.S. Census and OCC Business Loan Sample

GEOGRAPHIC DISTRIBUTION OF REAL ESTATE HOME MORTGAGE LOANS WITHIN THE BANK'S ASSESSMENT AREA							
	LOW-INCOME TRACTS	MODERATE-INCOME TRACTS		MIDDLE-INCOME TRACTS		UPPER-INCOME TRACTS	
% OWNER-OCCUPIED	0%	6%		36%		58%	
REAL ESTATE LOANS	0%	1	6%	6	33%	11	61%

Source: 1990 U.S. Census and OCC Home Mortgage Loan Sample

Response to Complaints

National Bank of Commerce has not received any formal complaints regarding its performance in meeting assessment area credit needs since the previous examination.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA performance. A sample of five denied applicants for home purchase loans was compared to 20 approved applicants for home purchase loans to determine if the credit decisions were applied equally to all applicants. No evidence of discrimination or disparate treatment was noted during this review.