Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

March 25, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of Arkansas in North Little Rock
Charter Number 16941

4004 McCain Boulevard
North Little Rock, AR 72116

Office of the Comptroller of the Currency

Victory Building
1401 West Capitol Avenue
Suite 350
Little Rock, AR 72201

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors that support this rating include:

- National Bank of Arkansas (NBA) has a **reasonable** loan-to-deposit ratio.
- A **majority** of NBA's primary loan products are within the assessment area (AA).
- NBA's overall borrower distribution for loans in the assessment area is **reasonable**.
- NBA's overall geographic distribution of loans reflects **reasonable** dispersion.

SCOPE OF EXAMINATION

National Bank of Arkansas was examined using Small Bank examination procedures. The evaluation period for this Community Reinvestment Act (CRA) Performance Evaluation (PE) is September 11, 2006, to March 25, 2013. Loan products used to assess the bank's performance under the Lending Test include residential real estate loans and small business loans. Loan information used for this evaluation included Home Mortgage Disclosure Act (HMDA) data for the years 2010 – 2012 and a sample of sixty commercial loans originated during 2010 – 2012 (20 for each year). A data integrity examination of the 2010 through 2012 HMDA reports was performed prior to the CRA exam with no significant deficiencies noted.

On August 26, 2011, the Federal Financial Institutions Examination Council (FFIEC) announced that all Home Mortgage Disclosure Act (HMDA) and Community Reinvestment Act (CRA) data collected in 2012 must be geocoded and analyzed using the new 2010 census tract (CT) information. Due to the timing of the examination, this includes analysis of the 2010 - 2011 data compared to 2000 Census data and 2012 data compared to 2010 Census data. The differentiation of census data utilized in the analysis is caused by the requirement to utilize the most recent CTs delineated by the United States Bureau of the Census as noted by 12 CFR 25.

DESCRIPTION OF INSTITUTION

National Bank of Arkansas (NBA) was chartered on January 2, 1981. The bank is locally owned and operated with its main office in North Little Rock (Pulaski County), AR. NBA is 100% owned by National Banking Corp., North Little Rock, AR, a one-bank holding company with total assets of $189 million as of December 31, 2012. NBA's assessment area is Faulkner and Pulaski Counties, which are part of the Little Rock-North Little Rock-Conway Metropolitan Statistical Area (LR-NLR-Conway MSA).

NBA has seven branches including five branches in Pulaski County. There are two branches located in North Little Rock, a branch in Sherwood, a branch in Little Rock, a branch in Maumelle, and two branches in Conway (Faulkner County). Since the 2006 CRA performance evaluation, the bank has combined the branches in the Sherwood/Indian Hills location. The bank also has one (1) mortgage origination office located in Jonesboro, AR. The bank currently has two branches located in moderate-income CTs, three branches located in middle-income CTs, and two branches located in upper-income CTs. No branches were located within low-income CTs.

Since the 2006 CRA Examination, management has also opened mortgage origination offices in Jonesboro and Fayetteville, AR. The mortgage origination office in Fayetteville opened in March 2011 and closed in May 2012. The Jonesboro mortgage origination office opened in September 2010 and is still operating. The loan officer in the Jonesboro market originates approximately 10% of the number of loans sold into the secondary market. The Fayetteville office originated approximately 6% while it was opened.

The main office and all of the branches have drive-up facilities and automated teller machines (ATMs). All ATMs are located at the branches with no stand-alone ATMs available. Lending services are available at all of the branches. As of December 31, 2012, the bank reported total assets of $189 million with $97 million in total loans (56% of total assets).

The bank's business strategy is to provide a high level of customer service while expanding current customer relationships. The bank's primary business focus is commercial real estate lending, residential real estate, and commercial/industrial loans. The bank has mortgage originators at the North Little Rock, Sherwood, Bowman, and Maumelle branches located within the assessment area, as well as one mortgage originator in Jonesboro, AR.

Approximately 46% of the loan portfolio is commercial real estate loans, 23% in Residential real estate loans, and 10% in commercial and industrial loans. NBA also has a mortgage origination office that sells loans into the secondary market. NBA offers agricultural real estate, commercial, commercial real estate, consumer, home improvement, home refinance and home mortgage loans. The loan portfolio composition as of December 31, 2012, is as follows:

Loan Portfolio Composition as of December 31, 2012 (in 000s)		
Loan Type	**Amount (000s)**	**Percent**
Construction and Land Development	$11,413	11.7%
Farmland	1,919	2.0
Residential real estate (1-4 family)	22,658	23.2
Multifamily (5 or more) Residential	3,445	3.5
Commercial (nonfarm, nonresidential)	43,660	44.8
Total Real Estate Loans	**$83,095**	**85.23%**
Agriculture	760	0.8
Commercial and Industrial	8,951	9.2
Consumer and Other Loans	1,168	1.2
Total Gross Loans	**$97,497**	**100%**

Source: Schedule RC-C: Call Report – December 31, 2012

NBA offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank's last CRA examination was performed by the OCC as of September 11, 2006, and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREA

NBA's assessment area (AA) consists of Faulkner and Pulaski Counties. Faulkner and Pulaski Counties have a population of 495,985 according to the 2010 Census. According to the 2000 census, there are 104 CTs in the AA, including seven low-income, 30 moderate-income, 46 middle-income, and 21 upper-income CTs. According to the 2010 census, there are 120 CTs in the AA, including 11 low-income, 33 moderate-income, 46 middle-income, and 29 upper-income CTs. In addition, there is one CT in the AA that has an unknown income level, due to the tract having a very small population. The CT primarily consists of a park and golf course. The AA delineation is in conformance with the Community Reinvestment Act. The AA includes only whole CTs and does not arbitrarily exclude any low- or moderate-income areas.

The following table shows the demographic and economic characteristics of the Assessment Area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS		
	2000 Census	**2010 Census**
Population		
Number of Families	119,084	125,191
Number of Households	179,885	196,088
Geographies		
Number of Census Tracts/BNA	104	120
% Low-Income Census Tracts/BNA	6.73%	9.17%
% Moderate-Income Census Tracts/BNA	28.85%	27.50%
% Middle-Income Census Tracts/BNA	44.23%	38.33%
% Upper-Income Census Tracts/BNA	20.19%	24.17%
Not Applicable	0.00%	0.83%
Median Family Income (MFI)		
MFI for AA	$49,065	$62,110
2012 HUD-Adjusted MFI	$62,300	
Economic Indicators		
Unemployment Dec. 2012–Pulaski Co.	6.40%	
Unemployment Dec. 2012–Faulkner Co.	6.50%	
Median Housing Value	$87,376	$140,679
% of Households Below Poverty Level	12.59%	15.12%

Source: 2000 and 2010 Census; HUD; and U.S. Labor Department's Bureau of Labor Statistics

Economic conditions in the Little Rock area are stable. According to statistics provided by the Bureau of Labor Statistics, the January 2013 unemployment rate for Pulaski County was 6.4% and 6.5% for Faulkner County; these rates were slightly lower than the Arkansas statewide unemployment rate of 7.1% and the national unemployment rate of 7.9%. Major employers throughout LR–NLR–Conway MSA include Arkansas Blue Cross Blue Shield, UAMS, Entergy, Dessault Falcon, Raytheon, AT&T Mobility, Euronet Worldwide, L'Oreal Paris and Timex.

The 2000 Census indicates the bank's AA is comprised of 7% low-income, 29% moderate-income, 44% middle income and 20% upper-income CTs. The 2010 census shows a slight change, with 9% low-income, 28% moderate-income, 38% middle-income, 24% upper-income CTs, and one CT in the AA that has an unknown income level. The CT has a very small population and primarily consists of a park and golf course. The overall percent of low and moderate income CTs increased slightly from 2000 to 2010 and represented 36% and 37% of total CTs, respectively.

Two community contacts were performed during the evaluation to obtain current information concerning the Little Rock-North Little Rock-Conway MSA. The primary credit needs of the community are improving access to credit, providing affordable home lending products for fixed income borrowers, and continued support for foreclosure support programs. Both contacts reported positive dealings with local financial institutions, with local and regional banks being indicated as more active.

The bank's AA is a highly competitive banking market with numerous institutions headquartered in or operating in the AA. While several large regional and national banks operate in the AA, direct competition includes comparable sized intuitions such as Eagle Bank and Trust, OneBanc N.A., Delta Trust, Central Bank, First Arkansas Bank & Trust, The Capital Bank, Bank of Little Rock, and Bank of England.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

NBA's performance under the lending test is satisfactory. The majority of the performance criteria was weighted on the bank's reasonable loan-to-deposit ratio and demographic distribution of loans. NBA was found to have reasonable penetration among borrowers of different income levels and businesses of different sizes. Geographical distribution of loans within the assessment area is reasonable. Lending in the assessment was also found to be reasonable based on the dollar volume of loans made within the assessment area. All criteria of the lending test are documented below.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. NBA's average LTD ratio at 84.05% is reasonable given its size, financial condition, funding sources, and AA's credit needs.

The average LTD ratio was derived from a 26 quarter average taken from September 2006 to December 2012. For purposes of this analysis, six banks conducting business in the bank's assessment area with similar asset sizes were used to determine the bank's performance. These banks include Central Bank of Little Rock, Peoples Bank of Sheridan, Capital Bank of Little Rock, Allied Bank of Mulberry, River Town Bank of Dardanelle, and Bank of Little Rock in Little Rock. The six institutions had an overall average LTD ratio of 76.27% during the same quarters. These institutions had average LTD ratios ranging from a high of 91.84% to a low of 59.29%.

Loan-to-Deposit Ratio
26 Quarter Average from September 2006 to December 2012

Institution	Assets (as of 12/31/2012) $(000)	Average LTD Ratio
Central Bank	91,053	91.84%
Allied Bank	160,641	90.57
National Bank of Arkansas (NBA)	**$189,309**	**84.05**
River Town Bank	175,566	83.07
Bank of Little Rock	193,071	72.95
Capital Bank, The	149,755	59.93
Peoples Bank	110,451	59.29

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

Lending in the AA meets the standards for satisfactory performance. A majority of the NBA's primary loan products were made inside its AA. The table below details the lending within the AA by number and dollar amount of loans. As indicated, approximately 52.85% of the loans were customers located in the bank's AA by number, and 58.35% by dollar volume. This is due to the large number of mortgage loans originated in the loan-origination offices located outside of the AA in the Fayetteville Office (closed in May 2012) and the Jonesboro Office (still operating) in 2010-2011.

Lending performance within the AA improved based on the 2012 HMDA data. This is attributed to the decline in mortgage originations made in 2012 as well as the Fayetteville Mortgage Origination Office closure in May 2012. Furthermore, as can be seen from the loan portfolio composition, a majority of the bank's loan portfolio is centered in commercial loans. Although the commercial sample represented a smaller number of loans and dollar amount compared to the HMDA loans, a substantial majority of the commercial loans by number and dollar were inside the AA. Management's focus on local customer base for their commercial sample within the AA gives more weight to the support. Management plans to reassess the AA if the bank expands mortgage operations.

Lending in Pulaski-Faulkner Co Assessment Area **2000 and 2010 Census Data** (in 000s)										
	Number of Loans					Dollars of Loans				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Home Purchase	337	47.20%	377	52.80%	714	$51,231	51.58%	$48,096	48.42%	$99,327
Home Improvement	19	43.18%	25	56.82%	44	$728	41.58%	$1,023	58.42%	$1,751
Refinance	312	56.73%	238	43.27%	550	$54,113	61.37%	$34,062	38.63%	$88,175
Commercial	55	91.67%	5	8.33%	60	$13,022	87.60%	$1,844	12.40%	14,866
Totals	723	52.85%	645	47.15%	1,368	$119,094	58.35%	85,025	41.65%	$204,119

Source: 2010 - 2012 HMDA Data; loan sample

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

Lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance and reflects reasonable penetration. The distribution of loans to borrowers of different incomes (including LMI) and businesses of different sizes is reasonable considering the demographic and economic trends within the AA. Mitigating factors include: elevated poverty levels for both 2000 and 2010 census data in the assessment area, high rental rates among low-income families, material improvement in home purchase and home improvement lending to low-income families. Lending to businesses of different sizes is reasonable. The sample consisted of 2010 – 2012 HMDA data and a sample of 60 commercial loans from January 1, 2010, through December 31, 2012.

<u>Home Mortgage Loans</u>

The overall distribution of loans is reasonable. Lending performance for residential real estate loans indicate adequate distribution to low-and moderate-income (LMI) borrowers; however, there are mitigating factors affecting these ratios. This is most notable in the level of residential real estate lending to low-income borrowers, utilizing the 2000 Census data. The poor performance in these areas is mitigated by the AA's elevated poverty levels, the high rental rates among low-income families, strong performance to moderate income families, and management's material improvement in lending performance in home purchase and home improvement lending to low-income families from the 2000 census to the 2010 census.

<u>Home Purchase Loans 2010-2011</u>

The distribution of home purchase loans to low-income borrowers in the AA is reasonable. The percentage of Bank loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA. The distribution of home loans to moderate-income borrowers in the AA is more than reasonable. The percentage of Bank loans to moderate-income borrowers exceeds the percentage of moderate-income families. The bank originated more home purchase loans to moderate-income families than any other group.

<u>Home Improvement Loans 2010-2011</u>

The distribution of home improvement loans to low-income borrowers in the AA is poor. The percentage of Bank loans to low-income borrowers is lower than the percentage of low-income families in the AA. The distribution of home loans to moderate-income borrowers in the AA is more than reasonable. The percentage of Bank loans to moderate-income borrowers exceeds the percentage of moderate-income families. Home improvement loans made up the smallest group of mortgage loans made during the evaluation period.

<u>Home Refinance Loans 2010-2011</u>

The distribution of home refinance loans to low-income borrowers in the AA is poor. The percentage of Bank loans to low-income borrowers is lower than the percentage of low-income families. The distribution of home refinance loans to moderate-income borrowers in the AA is reasonable. The percentage of Bank loans to moderate-income families is somewhat lower than the percentage of moderate-income families.

The following table shows the distribution of home loans among borrowers of different income levels in the assessment area as compared to the 2000 census.

2000 Census Borrower Distribution of Residential Real Estate Loans in Pulaski-Faulkner Co Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	20.72	12.60	17.77	32.11	21.38	23.58	40.13	29.67
Home Improvement	20.72	7.69	17.77	23.08	21.38	7.69	40.13	38.46
Refinance	20.72	7.59	17.77	13.84	21.38	23.66	40.13	47.32

Source: 2010-2011 HMDA Data, 2000 U.S. Census Data

The bank's poor performance for residential real estate loans to low-income borrowers is mitigated by elevated poverty level of 12.59% in the assessment area. This poverty level limits opportunities to qualify borrowers for home loan products. In addition, 74.84% of all low-income and 56.61% of moderate-income families are renters and further limit the market for residential related lending to low-income borrowers, as noted by the 2000 Census.

Home Purchase Loans 2012

The distribution of home purchase loans to low-income borrowers in the AA is reasonable. The percentage of Bank loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA. The distribution of home loans to moderate-income borrowers in the AA is more than reasonable. The percentage of Bank loans to moderate-income borrowers exceeds the percentage of moderate-income families.

Home Improvement Loans 2012

The distribution of home improvement loans to low-income borrowers in the AA is reasonable. The percentage of Bank loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA. The distribution of home loans to moderate-income borrowers in the AA is reasonable. The percentage of Bank loans to moderate-income borrowers is near to or equals the percentage of moderate-income families.

Home Refinance Loans 2012

The distribution of home refinance loans to low-income borrowers in the AA is poor. The percentage of Bank loans to low-income borrowers is lower than the percentage of low-income families. The distribution of home refinance loans to moderate-income borrowers in the AA is reasonable. The percentage of Bank loans to moderate-income families is somewhat lower than the percentage of moderate-income families.

The following table shows the distribution of home loans among borrowers of different income levels in the assessment area for the 2010 Census and 2012 HMDA data.

2010 Census Borrower Distribution of Residential Real Estate Loans in Pulaski-Faulkner Co Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	22.61	15.38	17.80	25.27	19.30	27.47	40.29	28.57
Home Improvement	22.61	16.67	17.80	16.67	19.30	16.67	40.29	33.33
Refinance	22.61	6.82	17.80	13.64	19.30	26.14	40.29	45.45

Source: 2012 HMDA Data, 2010 U.S. Census Data

The bank's reasonable performance for residential real estate loans to low-income borrowers is further supported by a high poverty level of 15.12% in the assessment area. This poverty level limits opportunities to qualify borrowers for home loan products. In addition, 53.86% of all low-income families are renters, further limiting the market for residential related lending to low-income borrowers, as noted in the 2010 census.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes and exceeds the standard for satisfactory performance. Small businesses are businesses with gross annual revenues of one million dollars or less. A review of the loan samples for 2010-2012 indicate that the majority of business loans (70%) were made to businesses with gross income below $1 million. This level was consistent with the overall distribution of businesses in the AA.

NBA is not required to collect and report data on small loans to business under the small bank CRA guidelines. During this examination, a sample of 40 loans originated from 2010 - 2011 and 20 loans originated in 2012 were used to determine the business loan distribution within the AA.

The sections below outline the breakdown of the 2000 and 2010 Census data in comparison to the 2010-2011 and 2012 commercial loan samples, respectively.

Small Loans to Businesses 2010-2011

The distribution of loans to businesses reflects more than reasonable penetration among businesses of different sizes. Seventy-five percent of the bank's loans in the sample were made to small businesses and exceeds the percent of businesses located in the assessment area by both number and dollar volume. These results indicate more than reasonable penetration compared to demographic data that shows 68.12% of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

2000 Census Borrower Distribution of Loans to Businesses in Pulaski-Faulkner Co Assessment Area				
Business Revenues (or Sales)	≤ $1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.12%	3.44%	28.44%	100%
% of Bank Loans in AA by #	75.00%	22.50%	2.50%	100%
% of Bank Loans in AA by $	81.38%	15.85%	2.77%	100%

Source: Loan sample; Dunn and Bradstreet data.

Small Loans to Businesses 2012

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Sixty percent of the loans reviewed in the loan sample were made to small businesses. These results indicate reasonable penetration compared to demographic data that shows 70.68% of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

2010 Census Borrower Distribution of Loans to Businesses in Pulaski-Faulkner Co Assessment Area				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.68%	4.32%	25.00%	100%
% of Bank Loans in AA by #	60.00%	25.00%	15.00%	100%
% of Bank Loans in AA by $	67.21%	29.81%	2.98%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distributions of Loans

Geographic distribution of loans located in the assessment area meets the standard for satisfactory performance. Overall, geographic distribution of loans shows reasonable dispersion and reflects lending in census tracts of all income levels. Although some areas of the bank's geographic distributions of residential loans reflect poor dispersion, mitigating factors create an overall reasonable geographic distribution. Mitigating factors noted include, a small volume of owner-occupied homes located in LMI CTs, elevated poverty rates, and high rental rates. The geographic distribution of business loans is reasonable, while comprising a majority of the loan portfolio and reflects the current business strategy of focusing on commercial loans. Lending was noted within all CTs of the assessment area.

Home Loans

NBA's geographic distribution of home purchase, home improvement and refinance is overall poor with reasonable mitigating factors noted for both the 2000 Geographic Data and the 2010 Geographic Data. While there appears to be a concentration in middle and upper income levels, there is limited opportunity to lend in LMI areas. The following sections outline the geographic distribution of home loans based on 2000 and 2010 census information.

Home Purchase Loans 2010-2011

Geographic dispersion of home purchase loans in LMI CTs within the AA is poor. The percentage of bank loans in LMI CTs is lower than the percentage of owner-occupied housing units in LMI CTs.

Home Improvement Loans 2010-2011

Geographic dispersion of home improvement loans in both LMI census tracts are excellent and exceed the percent of owner occupied housing in the AA. However, home improvement loans represent only 4% of the home loans in the sample.

Home Refinance Loans 2010-2011

Geographic dispersion of home refinance loans in LMI CTs within the AA is poor. The percentage of Bank loans in low-income CTs is significantly lower than owner-occupied housing units in low-income CTs. NBA did not originate any home refinance loans in low-income CTs. The percentage of Bank loans in moderate-income CTs is lower than the percentage of owner-occupied housing units in moderate-income CTs.

The following table shows the geographical distribution of home loans made in the assessment area for the 2000 Census and 2010-2011 HMDA data.

2000 Census
Geographic Distribution of Residential Real Estate Loans in Pulaski-Faulkner Co Assessment Area

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.09	0.41	18.40	8.13	47.57	50.81	31.94	40.65
Home Improvement	2.09	7.69	18.40	23.08	47.57	15.38	31.94	53.85
Refinance	2.09	0.00	18.40	4.02	47.57	41.96	31.94	54.02

Source: Data reported under HMDA; U.S. Census data.

Home purchase and refinance show a poor geographical dispersion; however, several factors support an overall reasonable dispersion. According to the 2000 census, there is a limited number of low- and moderate-income owner occupied units in the area, which are comprised of 4,090 units (2.09%) and 36,005 (18.40%) units, respectively. Middle-and upper-income owner-occupied housing account for over 79% of total owner-occupied housing within the AA. Additionally, a large percentage of low-and moderate-income families rent as opposed to owning their own homes. According to the 2000 census information, 29.09% of the families in moderate-income CTs rent homes as opposed to 18.40% owning their homes. In the low-income CT, 6.87% rent their homes as opposed to only 2.09% owning their homes. This provides for a limited group of families that are seeking home loans in a highly competitive market.

Home Purchase Loans 2012

Lending for home purchase loans is adequate. Home purchase loans show poor distribution to low income areas as evidenced by lower than percentage of number of loans and somewhat lower than to moderate income areas as compared to the average of AA owner occupied housing.

Home Improvement Loans 2012

The bank's geographic dispersion of home improvement loans for both low- and moderate-income census tracts is excellent; however, represents a small volume of loans only accounting for 2% of the home loans in the sample.

Home Refinance Loans 2012

The geographic distribution of refinance loans reflects poor dispersion in the LMI CT. Loans made to low-income areas is significantly lower than the percent in the AA, while somewhat lower to the moderate-income areas.

The following table shows the distribution of home loans among borrowers of different income levels in the assessment area for the 2010 Census and 2012 HMDA data.

2010 Census
Geographic Distribution of Residential Real Estate Loans in Pulaski-Faulkner Co Assessment Area

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.05	1.10	21.43	16.48	39.67	48.35	34.86	34.07
Home Improvement	4.05	0.00	21.43	33.33	39.67	33.33	34.86	33.33
Refinance	4.05	0.00	21.43	7.95	39.67	39.77	34.86	52.27

Source: Data reported under HMDA; U.S. Census data.

NBA’s geographic distribution of home purchase and refinance loans made is overall poor with reasonable mitigating factors noted. Home improvement loans in moderate-census tracts are excellent; however, represent a low volume of overall 1-4 family activity. While there appears to be a concentration in middle and upper income levels, there are limited opportunities to lend to LMI areas since there is a limited percentage of LMI owner occupied housing in the AA.

This is especially true for the low-income housing. Home purchase and refinance show a poor geographical dispersion; however, several factors support an overall reasonable dispersion. According to the 2010 census, there is a limited number of LMI owner occupied units in the area, which are comprised of 8,858 units and 46,871 units, respectively. Middle-and upper-income owner-occupied housing account for over 75% of total owner occupied housing within the AA. Additionally, a large percentage of LMI families rent as opposed to owning their own homes. According to the 2010 census information, 29.44% of the families in moderate-income CT rent homes as opposed to 11.78% owning their homes. In the low-income CT, 11.78% rent their homes as opposed to only 4.05% owning their homes. This provides for a limited group of families that are seeking home loans in a highly competitive market.

Business Loans

The overall geographic distribution of business loans is reasonable. The distribution of business loans to borrowers located in LMI Census Tracts was adequate in most cases.

NBA is not required to collect and report data on small loans to business under the small bank CRA guidelines. A sample of 40 loans originated 2010-2011 and 20 loans originated in 2012 was used to determine the geographic loan distribution within the AA.

The sections below outline the breakdown of the 2011 and 2012 Business Geographic Data in comparison to the 2010 - 2011 and 2012 commercial loan samples, respectively.

Small Loans to Businesses 2010-2011

NBA’s geographic distribution of business loans is reasonable. No loans were made to businesses located in low-income census tracts; however, loans made to moderate-income businesses exceed the percentage of businesses in the AA. Lending to moderate-income businesses is excellent. Loans made to businesses in the moderate income census tracts is the second highest percentage of loans made behind businesses located in middle-income census tracts.

2011 Business Geographic Data Geographic Distribution of Loans to Businesses in Pulaski-Faulkner Co Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Load ns
Businesses	6.77%	0.00%	11.53%	32.50%	43.01%	45.00%	30.52%	22.50%

Source: Loan sample; Dunn and Bradstreet data.

<u>Small Loans to Businesses 2012</u>

NBA's geographic distribution of business loans for 2012 is reasonable. Lending performance exceeds the percentage of business located in the AA. Percent of the number of loans made to the moderate-income census tracts declined from 2010 and 2011 but remain adequate at somewhat lower loan volumes than the percent of businesses located in the assessment area.

2012 Business Geographic Data Geographic Distribution of Loans to Businesses in Pulaski-Faulkner Co Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	5.60%	10.0%	27.82%	20.00%	34.16%	25.00%	32.40%	45.00%

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

NBA has not had any complaints made relating to its lending practices since the prior examination dated September 11, 2006.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.