



Comptroller of the Currency
Midwestern District

SMALL BANK

PUBLIC DISCLOSURE

October 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Arkansas National Bank
Charter Number 22721**

**706 South Walton Boulevard
Bentonville, Arkansas 72712**

**Comptroller of the Currency
Midwestern District
Kansas City South Field Office
1710 East 32nd Street
Joplin, Missouri 64804**

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 Arkansas National Bank, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 5, 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."

- < Loans are reasonably distributed to borrowers of various income levels.
- < The geographic distribution of the bank's loans in its assessment area is reasonable.
- < A substantial majority of the bank's loans are made within its assessment area.
- < The bank's loan-to-deposit ratio is strong.

DESCRIPTION OF INSTITUTION

Arkansas National Bank (ANB) is a \$264 million, community bank in Bentonville, Arkansas. ANB is majority owned by Arkansas National Bancshares, a one-bank holding company located in Bentonville, Arkansas.

The bank currently serves its community with six offices; the main office in Bentonville, two branches in Fayetteville, and branches in Bella Vista, Rogers, and Springdale. Five of the offices also have automated teller machines. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on 1-4 family residential and commercial real estate loans. The loan portfolio represents 83% of total assets, distributed as follows: 1-4 family residential (45%) and commercial real estate (26%). Arkansas National Bank was rated Satisfactory in the last Performance Evaluation dated April 14, 1997.

DESCRIPTION OF ARKANSAS NATIONAL BANK'S ASSESSMENT AREA

ANB's assessment area (AA) complies with the regulation and does not exclude low-or moderate-income geographies. ANB's assessment area consists of Metropolitan Statistical Area (MSA) 2580. The MSA contains Benton and Washington counties. The AA includes four moderate-income, forty-five middle-income, and five upper-income census tracts. There are no low-income tracts in the MSA. The main bank and five branches are located in the AA. ANB is one of 20 banks in the AA, as well as the numerous branches of banks in the AA.

The approximate populations of the five towns in which the bank has facilities are: Bentonville 17,000, Bella Vista 11,000, Rogers 32,000, Springdale 33,000, and Fayetteville 50,000. The local economy is well-diversified with industries representing health care, manufacturing, retail trade, agriculture, and higher education.

The updated U.S. Census 1990 median family income for the assessment area is \$40,300. The bank's assessment area population of 210,908 contains 17% low-income families, 20% moderate-income families, 25% middle-income families, and 38% upper-income families.

Examiners from banking regulatory agencies spoke with four community contacts in the Fayetteville-Springdale-Rogers MSA during the last year. The contacts included a public/private coalition, government agency, business organization, and business person. The contacts indicated they were not aware of any unmet community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Various Income Levels and Businesses of Different Sizes

ANB has reasonable lending penetration among borrowers of different income levels. We based our conclusion on a review of all loans to purchase residential real estate on the bank's Home Mortgage Disclosure Act (HMDA) reports for 1997 and the first eight months of 1998. The HMDA reports show borrower income information on residential real estate loans made for the purpose of purchase, refinance, or home improvement.

Loans to purchase residential real estate represent 47% of the total number of residential real estate loans originated from January 1, 1997 to August 31, 1998. These loans also represent 44% of the dollar volume of residential real estate loans originated during the same period. The following table illustrates our findings:

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper-Income
% of Families	17%	20%	25%	38%
% of Residential Real Estate Loans (purchase)	8%	26%	27%	39%

Loans originated to low-income families to purchase residential real estate are reasonable. Sixty-one percent of the low income households in the AA have incomes below the poverty level. Household income below the poverty level is rarely sufficient to obtain a residential real estate loan.

ANB makes loans to businesses of different sizes. Bank reports show ANB originated 452 commercial loans totaling \$102 million since April 18, 1997. We based our conclusion on a review of 45 (10%) of those loans. The following table illustrates our findings:

Commercial Loans by Business Gross Income			
Gross Revenue of Business	<\$500M	\$500M to \$1MM	>\$1MM
% of Businesses in AA	81%	8%	11%
% of number Commercial Loans	69%	16%	15%

Geographic Distribution of Loans

The geographic distribution of the bank's loans in its assessment area is reasonable. In part, we based our conclusion on our review of census tract information from the bank's year-end 1997 and 1998 (through August 31) HMDA reports. The following table illustrates our findings:

Loan Distribution by Census Tract Income Level				
Income Level	Low-Income	Moderate- Income	Middle-Income	Upper-Income
% of Households	0%	5%	81%	14%
% of number of Residential Real Estate Loans	0%	3%	80%	17%

Lending in Assessment Area

The bank's record of lending within the AA is good. ANB originates a substantial majority of its loans within the assessment area. We based this conclusion on a review of recent HMDA reports and a 10% sample of all commercial/industrial credits originated after April 30, 1997. Our review found 94% of the bank's residential real estate loans and 100% of the sampled commercial/industrial loans were made within its assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is strong. ANB had an average loan-to-deposit ratio of 110% since the last CRA examination dated April 14, 1997. The quarterly loan-to-deposit ratio has ranged from a low of 104% at June 30, 1997 to a high of 117% at December 31, 1997. The average loan-to-deposit ratio of nine other community banks that also serve the assessment area ranged from 47% to 87% for the same period.

Compliance with Antidiscrimination Laws and Regulations

We found the bank complied with both substantive and technical provisions of antidiscrimination laws and regulations.

Response to Complaints

The bank has not received any complaints during this evaluation period.