

PUBLIC DISCLOSURE

February 26, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Central Bank and Trust
RSSD# 1821024**

**801 Technology Drive
Little Rock, Arkansas 72221**

Federal Reserve Bank of St. Louis

**P.O. Box 442
St. Louis, Missouri 63166-0442**

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.

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INSTITUTION'S CRA RATING

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

The following table indicates the performance level of Central Bank and Trust with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	CENTRAL BANK AND TRUST		
	PERFORMANCE TESTS		
	Lending Test ¹	Investment Test	Service Test
Outstanding			
High Satisfactory	<i>X</i>		<i>X</i>
Low Satisfactory		<i>X</i>	
Needs to Improve			
Substantial Noncompliance			

Central Bank and Trust (Central Bank) meets the criteria for a satisfactory overall rating. The rating is based upon an analysis of the bank's lending performance, level of qualified investments, and retail and community development services.

An analysis of the bank's performance under the lending test revealed favorable responsiveness to assessment area credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area. A majority of the bank's loans and other lending related activities are extended within the assessment area. The distribution of loans among retail customers of different income levels reflects a good penetration and the distribution of loans among businesses of different sizes reflects an excellent penetration. The loan-to-deposit ratio is reasonable given the bank's size, its financial condition, the performance of its competitors, and the credit needs of the assessment area. Overall, lending levels reflect a good responsiveness to the assessment area credit needs, including the credit needs of low- and moderate-income (LMI) individuals.

The bank has utilized innovative or flexible lending practices, when appropriate, to fully serve the credit needs of the community. The level of community development lending was limited; however, this did not adversely affect the overall rating with respect to the

¹ The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

lending test. The bank made a number of loans with community development purposes, but these loans were considered in the bank's Home Mortgage Disclosure (HMDA) and Community Reinvestment Act (CRA) loan data and, therefore, could not be further considered as community development loans.

For the investment test, the bank's performance exhibits an adequate level of responsiveness to local community development initiatives by making grants and donations. While the bank made no qualifying community development investments, the bank has made periodic monetary contributions to community development organizations and agencies that benefit LMI individuals and families.

Finally, the bank's performance under the service test is considered good. Delivery systems are readily to all portions of the bank's assessment area. The bank's record of opening and closing branches, since the previous examination, has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. Services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies and/or individuals. While the bank provided only a limited level of community development services, the lack of these activities did not adversely affect the overall rating of the service test given the strength of the bank's performance with respect to the other aspects of the service test.

DESCRIPTION OF INSTITUTION:

Central Bank is a small community bank with total assets of approximately \$119.1 million as of September 30, 2000. The bank is a wholly-owned subsidiary of P&W Bancshares, a shell-bank holding company in Little Rock, Arkansas. P&W Bancshares was recently acquired by Arvest Bank Group of Bentonville, Arkansas, a complex multi-bank holding company. As a result of this acquisition, loan and deposit operations were converted to Arvest Bank Group systems, and the bank began offering the standard loan and deposit products offered by all Arvest affiliated institutions.

Central Bank owns a mortgage company, Central Mortgage Company (Central Mortgage), which currently services mortgage loans. Prior to the Arvest Bank Group acquisition, Central Mortgage originated and sold real estate loans on the secondary market. Once the conversion was completed, Central Mortgage ceased originating loans and began servicing them. Central Bank then began originating secondary market real estate loans through another affiliated company, Arvest Mortgage Company (Arvest Mortgage), a wholly-owned subsidiary of Arvest Bank, Rogers, Arkansas. Arvest Bank Group has designated Arvest Mortgage as the secondary market real estate lender for all of the Arvest affiliated banks.

Central Bank operates six full-service branches and six automated teller machines (ATM) within Little Rock, Arkansas. The bank's three major lending product lines are real estate, commercial, and consumer. The bank offers a wide range of loan and deposit products and contemporary financial services such as debit cards, internet banking and bill paying, and telephone account access.

As of September 30, 2000, the bank reported total loans of \$74.2 million, which represents 62.3 percent of total assets. A distribution of the bank's lending portfolio, by both dollar amount and percentage, is displayed in the table below.

Distribution of Total Loans		
Credit Product Type	Amount in \$000s	Total Loans
Construction and Development	9,632	13.0%
Commercial Real Estate	7,740	10.4%
Multi-family Residential	1,474	2.0%
1-4 Family Residential (First and Junior Liens)	25,397	34.2%
Home Equity Lines	2,196	3.0%
Farmland	235	0.3%
Commercial and Industrial	14,903	20.1%
Loans to Individuals (Consumer)	10,438	14.1%
Farm Loans	1,196	1.6%
Credit Cards ²	699	0.9%
Total Other Loans	294	0.4%
Total Loans	74,204	100%

The bank received a satisfactory rating at the previous examination conducted on February 25, 1997, by the Federal Deposit Insurance Corporation. At that evaluation, the bank's performance was assessed using the small bank examination procedures. Since the bank and its holding company were purchased by a bank holding company with total banking assets in excess of \$1 billion, was evaluated using the large bank examination procedures.

The bank operates in a very competitive market which includes branches of large regional banks and a number of small community banks. The bank competes directly with seven similarly situated institutions that range in asset size from \$62 million to \$284 million.

² Credit cards appear in the bank's loan mix; however, this figure does not represent loans originated by the bank. Rather, this figure reflects participations in a credit card portfolio originated by Security Bankcard Center, Inc., of Norman, Oklahoma. All credit card loans for all affiliated Arvest banks are underwritten and originated by Security Bankcard Center and the affiliate banks purchase a pro rata share in the form of loan participations.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as all of Pulaski County, Arkansas. Pulaski County is part of the Little Rock Metropolitan Statistical Area (MSA). According to 1990 census data, the assessment area's population is listed as 349,660 while the population of the entire MSA is 513,117. The 2000 census is estimated to reflect a substantial increase in total population given the economic expansion that has occurred over the last decade.

The bank's assessment area is comprised of 78 census tracts, which are categorized as low-, moderate-, middle-, and upper-income based on the median income of the families residing in the tract.³ The following table depicts, by number and percent, the census tracts and the population residing in each census tract category.

Distribution of Census Tracts in Assessment Area by Income Level					
1990 Census Data	Low-	Moderate-	Middle-	Upper-	TOTAL
Number of Census Tracts	3	24	33	17	78
	3.8%	30.8%	42.3%	21.8%	100%
Population Distribution	9,986	84,862	148,003	106,809	349,660
	2.9%	24.3%	42.3%	30.5%	100%

As the above table depicts, the bank's assessment area is comprised of 34.6 percent LMI census tracts, with approximately 27.2 percent of the total population of the assessment area residing in LMI tracts. In comparison, 64.1 percent of the census tracts are middle- and upper-income and comprise the majority, 72.8 percent, of the assessment area population. One tract, not reflected in the distribution in the table, does not have any population and, therefore, did not have an income classification as of the 1990 census.

The distribution of housing units within the assessment area demonstrates that only 20.7 percent of the owner-occupied housing units within the assessment area are in LMI tracts, while 31.5 percent of the rental units in the assessment area are in LMI tracts. In

³ Low-income is defined as individual income, or in the case of geography, a median family income that is less than 50 percent of the MSA median family income.

Moderate-income is defined as individual income, or in the case of geography, a median family income that is at least 50 percent and less than 80 percent of the MSA median family income.

Middle-income is defined as individual income, or in the case of geography, a median family income that is at least 80 percent and less than 120 percent of the MSA median family income.

Upper-income is defined as individual income, or in the case of geography, a median family income that is 120 percent or more of the MSA median family income.

addition, 82.4 percent of all of the boarded-up housing units within the assessment area are located in LMI tracts. These statistics suggest that residential lending opportunities may be somewhat limited in LMI tracts within the assessment area.

A significant number of LMI families are present in the bank's assessment area. LMI families are not only present in census tracts categorized as LMI, but also in middle- and upper-income geographies throughout the assessment area. The following chart denotes the families, by income classification, that reside in the assessment area, the MSA as a whole, and the state.

Assessment Area Family Income Stratification					
1990 Census Data	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area (Pulaski County in MSA 4400)	18,378	16,155	20,009	39,496	94,038
	19.5%	17.2%	21.3%	42.0%	100%
MSA 4400	27,572	25,268	31,632	54,905	139,377
	19.8%	18.1%	22.7%	39.4%	100%
State of Arkansas	137,653	116,565	144,578	257,669	656,465
	21.0%	17.8%	21.9%	39.3%	100%

As demonstrated by this table, the income stratification of the assessment area families is consistent with the MSA and the state as a whole, based on 1990 census data. Of the assessment area families, 36.7 percent are LMI. In comparison, 37.9 percent of the families in the MSA and 38.8 percent of the families in the state are considered LMI.

The assessment area and the other surrounding MSA counties can best be characterized as urban, with many types of industries operating in or near Little Rock. The non-manufacturing sector employs the largest number of workers in Little Rock with the largest employers having between 1,000 to 24,000 employees. Some of the major non-manufacturing employers in the area include state and local government, the local school system, Alltel, and University of Arkansas Medical Sciences. The major manufacturing companies individually employ between 100 to 1,150 workers. Some of the major manufacturing employers include Deluxe Video Services America, the Maybelline Company, and Arkansas Democrat-Gazette.

The most recent unemployment figures reflect a low level of unemployment within the Little Rock MSA. According to the Bureau of Labor Statistics for December 2000, the unemployment rate⁴ for the Little Rock MSA is 2.9 percent. This figure reflects no change from the unemployment rate for the same month in 1999. This level of unemployment compares favorably with the statewide unemployment rate for December 2000 of 3.9 percent.

One community contact, along with three prior community contacts made in conjunction with other examinations, were utilized in establishing the overall context of the market in

⁴ The unemployment statistics presented here are not seasonally adjusted.

which the bank operates. One contact, a senior officer of a local business organization, indicated that she was not aware of any particular credit need that is not being fulfilled by the local financial institutions. The contact's perception of the local economy is that the area is growing and continued expansion is expected.

Additional economic statistics for Pulaski County seem to substantiate the overall strength of the local economy. The 1990 median family income for Pulaski County was \$34,452 and the median family income for the MSA was \$31,597. The 2000 HUD estimated median family income for the MSA reflected a substantial increase to \$47,100. The strength of the local economy is further reflected in the percentage of families below the poverty level in Pulaski County and the MSA. According to the 1990 census data, only 10.5 percent of the families residing in Pulaski County and 10.0 percent of the families in the entire MSA live below the poverty level. In comparison, the statewide percentage of families living below the poverty level is 14.8 percent.

According to community contacts, the housing market is also strong with many newly constructed homes for sale. However, the age of the average home in Pulaski County is older than the average age of homes in the MSA and state as a whole. For example, the average age of homes in Pulaski County is 24 years when the average age of homes in the MSA and the state as a whole are 19 and 11 years, respectively. The main reason for the difference in the average age of the housing is that many of the homes in the downtown areas of Little Rock are much older, many of which were built prior to 1950. Despite the overall older age of the housing stock in Pulaski County, the contacts stated that the existing housing stock is in good shape with the exception of a troubled area located downtown near the new Alltel Arena.

Pulaski County has a total of 151,538 housing units with 60.5 percent of those considered owner-occupied units. In comparison, the MSA and the state percentages of owner-occupied housing units is higher reflecting 65.0 and 69.5 percent, respectively. Conversely, Pulaski County contains more occupied rental units when compared to the MSA and state figures. Specifically, 45.0 percent of the housing units are considered occupied rental units in Pulaski County and the MSA and state figures reflect only 39.7 and 34.0 percent, respectively. Only 10.5 percent of the total housing units are vacant which is consistent with the MSA and state statistics.

Another contact, the executive director of a local community development corporation, identified affordable housing as a need in the community. The contact indicated that the average price of a three-bedroom, two-bath home in Pulaski County is \$121,260. When the most recent median family income figure of \$47,100 is considered, many LMI families are priced out of the housing market. Despite these statistics, it appears that housing is more affordable in Pulaski County than in the MSA and the state as a whole. For instance, the housing affordability ratio⁵ for Pulaski County is 50.8 percent with a

⁵ The affordability ratio is calculated by dividing the median household income by the median housing value for the geographic area analyzed. For example, the affordability ratio for Pulaski County denoted above was calculated using a median household income of \$28,305 and a median housing value of \$55,748. Ratios approaching 100 percent denote greater affordability.

median housing value of \$55,748. The MSA as a whole reflects less affordable housing with an affordability ratio of 44.8 percent and a median housing value of \$59,219. Likewise, the state housing affordability ratio is 45.9 percent with a median housing value of \$46,023. The median gross rents for Pulaski County and the MSA is approximately the same at \$395 and \$392, respectively. The median gross rent for the state as a whole is somewhat less at \$328.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS:

LENDING TEST

Central Bank meets the standards for a high satisfactory rating under the lending performance test. An analysis of the geographic distribution of lending activity revealed a majority of loans are located inside the bank's assessment area and good loan distribution is exhibited throughout all income geographies. Loan distribution by borrower reflects good penetration among customers of different income levels and excellent penetration among businesses of different sizes. Overall, lending levels reflect good responsiveness to assessment area credit needs. While the bank has demonstrated good overall lending performance, the bank failed to make any qualifying community development loans. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the assessment area's credit needs.

The bank's performance under the lending test was evaluated using 2000 HMDA⁶ data reported by the bank, 2000 CRA data for small businesses, and a sample of consumer installment loans originated in the last six months of 2000. In addition, since the bank offered secondary market real estate loans through two affiliate lenders in 2000, Central Mortgage and Arvest Mortgage, the 2000 HMDA data reported by both Central Mortgage and Arvest Mortgage were also used in the analysis. These three loan categories, along with the secondary market real estate loans originated by the bank's two affiliate lenders, are considered the bank's primary lines of business and are assumed to be indicative of the overall lending performance of the bank.

Geographic Distribution

Lending within the assessment area is good. The bank made a high percentage of loans to borrowers residing inside the bank's assessment area. Of the 420 loans reviewed, 363 or 86.4 percent (80.2 by dollar volume) were originated within the bank's assessment area.

⁶ In 2000, the bank reported data on home mortgage loans consisting of home purchase, home refinancing, and home improvement loans.

The following table identifies by loan type, the number, dollar volume, and percentage of loans originated inside the bank's assessment area.

Distribution of Lending Inside Assessment Area					
Loan Type	Number in Assessment Area		Dollar Amount in Assessment Area (in \$000s)		TOTAL Number/Dollars
Central Bank HMDA	89	89.0%	\$5,237	90.7%	100
					\$5,776
Consumer Installment	71	77.2%	\$813	80.7%	92
					\$1,007
Small Business	203	89.0%	\$31,600	78.7%	228
					\$40,163
TOTAL	363	86.4%	\$37,650	80.2%	420
					\$46,946

Loan Distribution by Geography

Overall, the bank's geographic distribution of loans reflects good penetration throughout the assessment area. The geographic distribution analysis included separate analyses of consumer loans, HMDA reportable loans, small business loans, and a loan dispersion analysis. The geographic distribution of HMDA reportable and consumer loans is considered adequate. The geographic distribution of small business loans reflects good penetration among LMI tracts. A dispersion analysis of all of the loans originated by the bank and the affiliate lenders demonstrates an excellent dispersion of all loans across the assessment area depicting no significant gaps.

The number and dollar volume of the bank's HMDA reportable loans, consumer loans, and affiliate loans extended in low-, moderate-, middle-, and upper-income census tracts are listed in the following table.

Geographic Distribution of Loans (Number and Dollar Volume in \$000s) Across Assessment Area by Income Level of Census Tract					
Loan Type	Tract Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Central Bank HMDA	3	19	39	28	89
	3.4%	21.3%	43.8%	31.5%	100%
	\$95	\$1,139	\$1,332	\$2,671	\$5,237
	1.8%	21.8%	25.4%	51.0%	100%
Consumer Installment	1	9	26	35	71
	1.4%	12.7%	36.6%	49.3%	100%
	\$2	\$43	\$301	\$467	\$813
	0.3%	5.3%	37.0%	57.4%	100%
Affiliate Lending Central Mortgage HMDA	1	3	52	44	100
	1.0%	3.0%	52.0%	44.0%	100%
	\$60	\$92	\$4,053	\$6,308	\$10,513
	0.6%	0.9%	38.5%	60.0%	100%
Affiliate Lending Arvest Mortgage HMDA	1	9	40	33	83
	1.2%	10.8%	48.2%	39.8%	100%
	\$120	\$782	\$3,729	\$4,418	\$9,049
	1.3%	8.7%	41.2%	48.8%	100%
TOTAL	6	40	157	140	343
	1.7%	11.7%	45.8%	40.8%	100%
	\$277	\$2,056	\$9,415	\$13,864	\$25,612
	1.1%	8.0%	36.8%	54.1%	100%
MSA Aggregate HMDA Data ⁷	0.9%	11.3%	42.2%	45.6%	100%
Population Percentage Residing in Census Tracts	2.9%	24.3%	42.3%	30.5%	100%
Percentage of Owner-Occupied Units in Census Tracts	2.1%	18.6%	44.4%	34.9%	100%

As depicted in the table above, Central Bank made 24.7 percent of the number (23.6 percent of the dollar volume) of HMDA loans in LMI census tracts. This level of lending is consistent with the percentage of the population residing in LMI tracts of 27.2 percent. For further comparison, the 1999 aggregate HMDA data for Pulaski County shows that only 12.2 percent of the loans originated in Pulaski County by all lenders were in LMI tracts. Lastly, the percentage of owner-occupied housing units within LMI tracts is an

⁷ The percentages reflect the number of loans generated by all HMDA reporters in Pulaski County in 1999.

indicator of the opportunities for residential real estate lending. Approximately 20.7 percent of the owner-occupied housing units in the assessment area are located in LMI tracts. Therefore, the bank's level of HMDA lending reflects good penetration throughout the LMI areas of the assessment area.

Central Bank's level of consumer lending is much less favorable than its residential lending. The bank made 14.1 percent of its consumer installment loans (5.6 percent of the dollar volume) in LMI tracts. This level of lending does not compare favorably with the percentage of the population residing in LMI tracts of 27.2 percent. Management indicated that the poor penetration with respect to consumer installment loans is probably due to the bank's limited branch network and strong competition for retail loans in the area. Furthermore, until the bank was acquired by Arvest Bank Group, consumer lending was not a major product line of the bank nor did management focus on consumer lending.

The geographic distribution of the bank's affiliate HMDA lending also reflects poor penetration in LMI tracts. Specifically, Central Mortgage made only 4.0 percent of its loans (1.5 percent of the dollar volume) in LMI tracts and Arvest Mortgage made only 12.0 percent of its loans (10.0 percent of the dollar volume) in LMI tracts. Only Arvest Mortgage achieved lending performance equal to the aggregate HMDA figures for Pulaski County. Neither lenders' performance compared favorably to the percentage of owner-occupied housing units present in LMI tracts.

When all of the four consumer loan categories are analyzed together, 13.4 percent of the number of loans (9.1 percent of the dollar volume) were originated in LMI tracts, compared to the population percentage of 27.2 percent. While these figures may not appear reasonable on the surface, the bank's HMDA lending geographic distribution reflected good penetration in LMI tracts, mitigating the marginal geographic distribution of the consumer installment loans and affiliate HMDA loans. According to management, many of the loans originated in LMI tracts did not meet secondary market underwriting standards and, therefore, had to be originated by the bank and maintained in the bank's portfolio. Additionally, many of the bank's loans in LMI tracts were for home improvement. These loans are not generally structured for secondary market sale. Therefore, in order to fulfill this particular credit need in LMI tracts, the bank made these loans and maintained them in the bank's portfolio.

In addition, the bank's market share in the Little Rock MSA must also be considered in determining the bank's overall performance. Market share information derived from the 1999 HMDA data indicated that the bank and Central Mortgage only had 0.1 and 1.2 percent of the market share, respectively. In 1999, Arvest Mortgage did not make enough loans in Pulaski County to register a percentage of the market. Also, as mentioned before in the "Description of the Institution" section of this public evaluation, Central Mortgage ceased making loans in 2000. Because Central Mortgage ceased making loans in 2000, the number of HMDA loan application lines reported decreased dramatically from 482 lines in 1999 to 156 in 2000. Given these mitigating

circumstances, the bank's geographic distribution of consumer loans is considered adequate.

Next, the bank's geographic distribution of small business lending data was analyzed. The bank's small business lending compares favorably with the 1999 business aggregate data for Pulaski County. The bank made 21.7 percent (12.7 percent by dollar volume) of its small business loans in LMI geographies compared to 18.4 percent as demonstrated by the 1999 business aggregate data. This also compares favorably to information obtained from Dun and Bradstreet that indicate 22.9 percent of reporting businesses in the assessment area are located in LMI census tracts.⁸

Finally, a dispersion analysis was performed to determine if the bank was able to penetrate most of the tracts within its assessment area. This analysis considered every loan used in the CRA performance evaluation including loans originated by the bank's two affiliate lenders. Of the 78 tracts comprising the bank's assessment area, the bank made loans, either directly or through an affiliate, in 69 tracts. Given the bank's small market share in relation to all lenders in Pulaski County and the bank's relatively small branch network, the bank's ability to make loans in 88.5 percent of the tracts within its assessment area reflects strong performance.

The bank penetrated 93.0 percent of the LMI tracts within the assessment area, failing to make loans in only two of the 27 LMI tracts. Compared to the other tracts in the assessment area, these tracts have relatively small populations and limited owner-occupied housing reducing the opportunities to lend in these tracts. Specifically, tract 8.00 has a population of 549 residents and 90 owner-occupied housing units. Tract 4.00 has a total population of 1,244 and only 157 owner-occupied housing units. As mentioned earlier, the assessment area contains one tract that is not given an income designation because the tract does not have any population. As expected, the bank did not make a loan in this tract. In conclusion, no significant gaps in lending are evident in light of market aggregate lending, environmental, and demographic information.

Borrower Characteristics

The bank's lending reflects good penetration among retail customers of different incomes and excellent penetration among businesses of different sizes. Residential and consumer installment loans were reviewed to determine the level of penetration among borrowers of different income levels.⁹ Separately, small business loans originated by the bank were evaluated for distribution among businesses of various revenue sizes. The following table shows the distribution of residential (bank and affiliates) and consumer installment loans by income level of the borrower.

⁸ The source data is provided by Dun and Bradstreet. This information is based upon information supplied by reporting businesses. The source data used in this report are as of June 1999.

⁹ Borrower income is determined by using the income definitions in footnote three, but is based on the 2000 median family income figure of \$47,100, as made available by the Department of Housing and Urban Development, rather than the 1990 census data.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Borrower					
Loan Type	Borrower Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Central Bank HMDA	4	10	15	39	68¹⁰
	5.9%	14.7%	22.1%	57.3%	100%
	\$100	\$293	\$460	\$2,710	\$3,563
	2.8%	8.2%	12.9%	76.1%	100%
Consumer Installments	18	17	16	20	71
	25.4%	23.9%	22.5%	28.2%	100%
	\$91	\$103	\$103	\$516	\$813
	11.2%	12.7%	12.7%	63.4%	100%
Affiliate Lending Central Mortgage HMDA	5	31	20	42	98¹¹
	5.1%	31.6%	20.4%	42.9%	100%
	\$204	\$1,926	\$1,832	\$6,329	\$10,291
	2.0%	18.7%	17.8%	61.5%	100%
Affiliate Lending Arvest Mortgage HMDA	4	21	19	39	83
	4.8%	25.3%	22.9%	47.0%	100%
	\$181	\$1,423	\$1,952	\$5,493	\$9,049
	2.0%	15.7%	21.6%	60.7%	100%
TOTAL	31	79	70	140	320
	9.7%	24.7%	21.9%	43.7%	100%
	\$576	\$3,745	\$4,347	\$15,048	\$23,716
	2.4%	15.8%	18.3%	63.5%	100%
Assessment Area Family Population	19.5%	17.2%	21.3%	42.0%	100%
MSA Aggregate HMDA Data	9.1%	19.8%	24.8%	46.3%	100%

As shown in the above table, 20.6 percent of the bank's year 2000 HMDA loans (11.0 percent of the dollar volume) were extended to LMI borrowers. In comparison, the assessment area family population reflects that 36.7 percent of the families in the assessment area are considered LMI. For further comparison, the 1999 aggregate HMDA data for all lenders in the assessment area demonstrated that 28.9 percent of HMDA loans were originated to LMI borrowers. While this level of lending seems somewhat low, the bank's distribution of HMDA loans appears much more favorable when the affiliate lenders performance is considered. Central Mortgage and Arvest

¹⁰ Twenty-one of Central Bank's 89 HMDA loans within the bank's assessment area did not have income information available. Therefore, these percentages are based on a total of 68 loans with income information available.

¹¹ Two of Central Mortgage's 100 HMDA loans within the bank's assessment area did not have income information available. Therefore, these percentages are based on a total of 98 loans with income information available.

Mortgage both made HDMA loans to LMI borrowers at a rate that approximates the percentage of LMI families within the assessment area. As can be seen from the table, Central Mortgage made 36.7 percent of its loans to LMI borrowers and Arvest Mortgage made 30.1 percent of its loans to LMI borrowers. Management indicated that FHA loans, along with some bond loan programs that provided down-payment assistance or a reduced interest rate, enabled the mortgage companies to qualify more LMI borrowers for residential real estate loans. Both affiliate lenders' performance also exceeded the percentage of loans made to LMI borrowers as reflected in the 1999 aggregate HMDA figures for Pulaski County provided above.

The distribution of consumer installment loans reflects excellent penetration among borrowers of different income levels. The bank made 49.3 percent of its consumer installment loans (23.9 percent of the dollar volume) to LMI borrowers. This level of lending far exceeds the percentage of LMI families present in the assessment area of 36.7 percent.

When all of the consumer loan categories are combined, including affiliate activity, the bank made 34.4 percent of its loans (18.2 percent of the dollar volume) to LMI borrowers which demonstrates an overall good penetration of consumer loans to LMI borrowers.

The following table depicts the bank's distribution of small business loans among businesses of different sizes.

Distribution of Small Business Loans				
Gross Revenue	Loan Origination Amount (\$000)			TOTAL
	£ \$100	>\$100£ \$250	>\$250£ \$1,000	
\$1 million or Less	149	24	23	196
	75.3%	12.1%	11.6%	99.0%
\$1 million or Greater	1	0	1	2
	0.5%	0.0%	0.5%	1.0%
TOTAL	150	24	24	198
	75.8%	12.1%	12.1%	100%

In 2000, Central Bank originated 198 business loans within the assessment area. Of these 198 loans, 196 (or 99.0 percent) were to small businesses.¹² In addition, 150 (or 75.8 percent) of the 198 were in amounts of \$100,000 or less. When comparing these numbers to the CRA Aggregate Data for 1999 and the Dun and Bradstreet information, the bank's level of lending compares favorably. The 1999 aggregate data indicates that 65.5 percent of all originated small business loans in the assessment area were to businesses with gross annual revenues of \$1 million or less. Based on the most recent

¹² Small businesses are defined as businesses with gross revenues \$1 million or less.

Dun and Bradstreet data available, 86.3 percent of reporting businesses in the assessment area are classified as small businesses.¹³

Lending Activity

The bank's lending activity reflects good responsiveness to assessment area credit needs given the bank's size, financial condition, and credit needs of the assessment area.

An indication of the bank's overall level of lending activity is the loan-to-deposit ratio. For the previous 16 quarters (reported from March 31, 1997, to December 31, 2000), the bank has maintained an average loan-to-deposit ratio of 74.2 percent. In comparison, the average loan-to-deposit ratios of the bank's seven local competitors ranged from 62.9 percent to 92.6 percent. The bank's average loan-to-deposit ratio ranked sixth overall when all eight banks are compared.

While the bank's average loan-to-deposit ratio may seem somewhat low when compared to these similarly situated institutions, it is important to consider that the bank's lending efforts through its affiliate lenders are not reflected in this ratio. Furthermore, management indicated that since the bank was purchased by Arvest Bank Group, the bank has experienced increased deposit growth as the bank has become more competitive in attracting deposits. In addition, since Central Mortgage has limited its business to loan servicing, the escrow accounts serviced through Central Mortgage have also increased bank deposits. Loan growth has not kept pace with deposit growth, negatively impacting the bank's loan-to-deposit ratio.

Community Development Lending

The bank not originated any community development loans. Many of the small business loans and HMDA reportable loans that have community development purposes have already been considered under the other lending criteria and may not be further considered under the "Community Development Lending" section of this public evaluation. However, the bank and its affiliates participate in community development programs when available.

The bank is now involved in a program called Main Street Argenta. The recently established program focuses on rehabilitation of existing buildings, real estate financing, and new construction of commercial structures in the downtown Argenta community, which is an historical area of North Little Rock. The program offers below market interest rates to businesses with a business plan that emphasizes historic preservation located in the target area. At this point, the bank has not received the first application for a business loan under this program. According to a community contact, bank management has demonstrated a desire to originate loans under this program with the bank's business development officer actively soliciting loans from this area.

¹³ The source data is provided by Dun and Bradstreet. This information is based upon information supplied by reporting businesses.

Since there have been no community development loans originated by the bank, this is an area where the bank needs to look for opportunities for such lending. However, the overall lending performance of the bank is not significantly impacted due to the bank's adequate lending performance in other areas.

Innovative or Flexible Lending Practices

The bank uses innovative and flexible lending practices, when appropriate, in order to serve assessment area credit needs. For example, the bank's affiliate, Central Mortgage has been involved in the following two innovative loan programs designed to qualify more LMI borrowers.

Home to Own Program (Arkansas Development Finance Authority (ADFA) Bond Program) - The Home to Own Program, also known as the ADFA Bond Program, is a state program which provides banks funding for low-cost homebuyer financing. The program is designed for LMI borrowers and often involves lower than market interest rates. Borrower restrictions include a maximum family income limit, a maximum sales price, and borrowers must be first-time homebuyers. Since these loans were originated to be sold, all of these loans were originated through Central Mortgage rather than the bank. In 1999, Central Mortgage originated 18 of these loans. Despite the fact that Central Mortgage ceased making loans midway through 2000, Central Mortgage originated six of these loans.

Down-Payment Assistance Second Mortgage - In addition to the Home to Own Program, Central Mortgage has also participated in another ADFA program that provides down-payment assistance for qualified LMI borrowers. The program provides \$1,000 to \$3,000 toward the down-payment or closing costs. The borrower is only required to pay the greater of one percent of the sales price or \$500. The additional funds needed to close are provided through a second fixed-rate mortgage amortized over 10 years. Central Mortgage originated two loans in the last two years where this program was utilized to qualify a borrower.

In addition to these programs, the bank and mortgage affiliates have and are continuing to use various established secondary market products that have flexible underwriting standards designed to qualify as many LMI borrowers as possible.

INVESTMENT TEST

Qualified Investments

Overall, the bank is a low satisfactory in the investment test making an adequate level of qualified community development grants for the period reviewed. No investments were noted, but the qualified grants and donations for 1999, 2000, and 2001 totaled \$29,827 and are listed below. The Walton Family Foundation, an affiliate of the bank, also made grants and donations in the amount of \$22,500 in the name of the bank.

Bank Contribution of 1-4 Family Residence – In 1999, the bank purchased a house in census tract 3.00 (moderate-income tract) near one of the bank’s branches. The house had been damaged by a recent tornado and had been condemned. The bank sold the house for \$1 to a gentleman who moved it one block away and restored it. The gift of this property had a stabilizing effect in a moderate-income geography.

Telephone System Donation – After the bank was acquired by Arvest Bank Group, the bank was required to purchase a new telephone system that was compatible with the rest of the affiliated Arvest banks. However, the bank had a relatively new system that was not needed anymore. Management donated the entire system with a salvage value of approximately \$20,000 to the Arkansas Children’s Museum. Even though the museum is located in a middle-income tract, it has had an overall stabilizing effect in the downtown area of Little Rock which is comprised of both moderate- and middle- income tracts. The museum was built in downtown Little Rock as part of a larger redevelopment project. Although the museum is located in a middle-income tract, its management indicated that many poor families reside near the museum. For example, 34.0 percent of the families in the surrounding neighborhood do not own an automobile and 59.0 percent of these families receive aid to dependent children assistance.

North Little Rock Boys and Girls Club – The bank made donations to this organization that provides recreation facilities to disadvantaged boys and girls in Little Rock. In addition, this organization also provides mentoring and counseling to “at-risk” youths.

Arkansas Military Museum – The bank made donations in 2000 to this organization which is located in census tract 3.00, a moderate-income census tract. Like the Arkansas Children’s Museum, this museum was built as part of a larger redevelopment project for the downtown area, and its presence provides a stabilizing effect on the area.

United Way of Little Rock – The bank made donations in 2000 to the United Way. According to management, the majority of charities and organizations that the United Way contributes to are targeted to LMI individuals and families within the assessment area.

Habitat For Humanity – The bank made donations to this organization in 2000. Habitat For Humanity builds homes and arranges financing for low-income families who could not otherwise afford a home.

Fishing Derby – The bank made donations to this local initiative. The Fishing Derby is sponsored by local businesses and provides a day of fishing in a local lake for disadvantaged youth.

Main Street Argenta – The Walton Family Foundation made donations in the name of the bank to this organization who is actively redeveloping Main Street in North Little Rock. The redevelopment project includes improving housing conditions and attracting small businesses to the area.

University of Arkansas Medical School Women's Health Center – The Walton Family Foundation made contributions in the name of the bank to support renovation of a facility used to provide health care to indigent women in central Pulaski County.

St. Vincent Foundation – The Walton Family Foundation made donations to the St. Vincent Foundation to purchase medical supplies for local clinics that provide free health care to people who cannot afford health care through traditional means.

University of Arkansas Little Rock, College of Business Administration (CBA) – The Walton Family Foundation made contributions to the CBA to help fund an international program. The funds will be used to assist economically disadvantaged students and nontraditional students (those who work full time to support families and attend school part time) so that they may be able to afford traveling abroad and can participate in the international program.

Combining the donations made by the bank and the Walton Family Foundation, the bank made a total of \$52,327 of qualified community development grants for 1999, 2000, and 2001. In evaluating the adequacy of this level of investment, it is important to keep in mind that prior to mid-year 2000, the bank was considered a small bank based on its asset size and was not subject to the investment test. Only after being acquired by Arvest Bank Group, a bank holding company with banking assets in excess of \$1 billion, did the bank become subject to the large bank procedures. Since the bank previously had not been subject to the investment test, management had not kept adequate records identifying investments and grants that the bank made since the last CRA evaluation. Furthermore, management has had little time to incorporate community development investing into the bank's overall investment policy. Given the size of the bank and the extenuating circumstances, this level of community development investments is considered adequate.

SERVICE TEST

The bank is rated a high satisfactory under the service test for large banks. The bank's delivery systems are accessible to all portions of the assessment area, given the bank's branch network, hours of operation, and loan and deposit products. Further, services do not vary in a way that inconvenience portions of the assessment area, particularly LMI individuals. Moreover, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

Retail Services

The bank maintains a branch network readily available to borrowers in its assessment area, including LMI individuals and geographies. The branch network consists of six full-service branches, one of which, the University branch is located in a moderate-income geography. Three branches, Lakewood, Chenal, and Breckenridge, are located

in high-income tracts and two branches, Quapaw and Riverdale, are located in middle-income tracts. The geographic distribution of these branches in LMI tracts does not approximate the population residing in LMI tracts. Approximately 17.0 percent (1 of 6) of the bank's branches are located in LMI tracts, and as previously mentioned, approximately 27.0 percent of the population within the assessment area reside in LMI tracts. However, given the bank's size and the fact that some of these branches are in close proximity to LMI tracts, the bank's branch network is considered reasonably accessible to essentially all portions of the bank's assessment area.

Four of the bank's branches, the Lakewood, Breckenridge, Chenal, and University branches, are open from 8 a.m. to 8 p.m. Monday through Friday. The other two branches have more traditional banking hours with the Riverdale branch being open from 8 a.m. to 6 p.m. Monday through Friday and the Quapaw branch being open from 8 a.m. to 5 p.m. Monday through Friday. In addition, each branch is open on Saturdays from 9 a.m. to 12 noon. Each branch maintains a drive-up facility as well as a lobby.

In addition to Central Bank's locations, access to banking services and information is available through the bank's holding company, Arvest Bank Group. The bank's customers have no-cost access to over 100 Arvest ATM machines in Arkansas, Missouri, and Oklahoma.

The bank offers a myriad of products and services, either directly or through an affiliate institution, tailored to meet the needs of the community, including LMI borrowers. The bank offers standard retail products, including low-cost checking and savings accounts, certificates of deposit, credit cards, secondary market real estate loans, and multiple other services. The bank offers a special savings account for children under the age of 10 that is designed to help parents teach children the value of money and the importance of saving and budgeting. In addition, bank staff routinely offers assistance to all consumers in completing loan applications.

The bank maintains alternate delivery systems designed to meet the needs of its customers. A telephone-banking line was established to give customers information about deposit and loan accounts, rate information, and the ability to transfer funds between deposit accounts. Arvest Bank Group also offers an Internet website that provides banking information for all Arvest facilities and provides a means for on-line bill paying.

Community Development Services

As mentioned in the "Investment Test" section of this evaluation, the bank was not prepared to be evaluated under the more rigorous large bank performance standards. As a result, the bank provided a limited number of community development services since the last CRA evaluation. Management has begun scheduling opportunities for bank staff to participate in LMI credit counseling and to providing technical assistance for its financial services area. However, at the time of this evaluation, the bank had only participated in two projects that had community development purposes, which are:

Downtown Partnership – A senior bank officer is a member of the board of directors of the Downtown Partnership. The Downtown Partnership is an organization that is working with the local banks to provide small business financing and redevelopment financing for downtown Little Rock. He is providing financial expertise and general oversight for the initiative.

Main Street Argenta – Another senior officer of the bank is a member of the board of directors of Main Street Argenta, an organization similar to the Downtown Partnership with the exception that the targeted area is downtown North Little Rock.

The limited number of community development services did not adversely affect the overall rating of the bank with respect to the service test because the bank's branch network and extended hours of business has improved the overall accessibility of banking services, particularly to LMI geographies and LMI individuals. Moreover, because of the bank's affiliation with Arvest Bank Group, the bank offers a wide range of credit products and utilizes a number of contemporary alternative delivery systems.

The Bank's Record of Opening/Closing Branches

Central Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems particularly in LMI geographies and to LMI individuals. Since the last CRA evaluation, the bank has closed one branch and opened two branches. The closing of the one branch had a minimal impact on the service that bank provided, while the opening of the two additional branches had a significant impact on the provision of banking services within the assessment area.

In June 1998, the bank closed a branch at 124 West Capitol located in census tract 1.00, a middle-income tract. This branch was located in a commercial area generating little loan activity. In March 2000, the bank opened the Chenal branch located in the western part of Little Rock. This branch is located in census tract 2.06, a high-income tract. This branch was opened to follow the migration of residents to the western part of Little Rock and was made the bank's main office since the new facility contained more space than the other branches. In September 2000, the bank opened the University branch located in census tract 18.00, a moderate-income tract. Management identified this area on South University which was not served by any other institutions. Several large regional banks closed branches in this area leaving it essentially without banking services. Management felt that this was an excellent opportunity to tap into this under-served LMI market.

ADDITIONAL INFORMATION

A fair lending analysis focusing on Regulation B (Equal Credit Opportunity) and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

APPENDIX A

SCOPE OF EXAMINATION			
The bank's three major product lines were reviewed for analysis under the lending test. The loans used in the analysis included all of the bank's 2000 HMDA data, 2000 CRA small business data, and a sample of the last six months of 2000 consumer installment activity. In addition, 2000 HMDA data from both Central Mortgage and Arvest Mortgage were used in the analysis. Also, the bank was asked to provide information concerning the number and dollar volume of community development loans, the number and dollar volume of qualified community development investments, and retail services including any qualified community development services. The bank has one assessment area, and the bank's activities in this area were reviewed using the large bank examination procedures.			
TIME PERIOD REVIEWED		Full Year 2000 for all loan products except consumer installment. For this product, the last six months of 2000 activity was reviewed.	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Central Bank and Trust Little Rock, Arkansas		Consumer Installment Lending, Affiliate Lending, Residential, and Small Business	
AFFILIATE(S) REVIEWED	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Central Mortgage Company	Mortgage Company		Real Estate
Arvest Mortgage Company	Mortgage Company		Real Estate
Walton Family Foundation	Charitable Organization		Investments/Donations
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Pulaski County, Arkansas	On-site	Main Office and University branches	