

PUBLIC DISCLOSURE

May 21, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Arvest Bank
RSSD# 970242**

**201 West Walnut Street
Rogers, Arkansas 72757**

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 Arvest Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Arvest Bank</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve		X	
Substantial Noncompliance			

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

Arvest Bank 's overall CRA performance is rated "satisfactory" for the following reasons:

- Arvest Bank's lending levels reflect good responsiveness to the credit needs of its assessment area. The bank's performance demonstrates an adequate penetration throughout the assessment area and a good penetration to borrowers of differing income levels, including those designated as low- and moderate-income (LMI).
- Arvest Bank has demonstrated good responsiveness to the need for loans to small businesses and small farms in its assessment area.
- Arvest Bank originates a substantial majority of its loans within its assessment area.
- Arvest Bank makes a low level of investments/grants to support community development initiatives.

- Arvest Bank provides good delivery of retail services and takes a leadership role in providing community development services to LMI individuals and small business owners.

DESCRIPTION OF INSTITUTION:

Arvest Bank is a state-chartered commercial bank headquartered in Rogers, Arkansas with assets of \$576 million, as of December 31, 2000. Since the previous examination,¹ the bank has changed its name from First National Bank and Trust Company and has changed from a national charter to a state charter bank. The bank maintains 11 full-service branches (including the main office), 10 of which are accompanied by automatic teller machines (ATMs). In addition, the bank has 12 free-standing ATM locations primarily throughout Benton County, Arkansas.

Arvest Bank is a wholly-owned subsidiary of Arvest Bank Group, Inc., a multi-bank holding company located in Bentonville, Arkansas. As of December 31, 2000, the holding company reported assets of \$4.5 billion.

Arvest Bank is both a commercial and retail oriented institution with concentrations of assets in 1-4 family residential real estate, commercial real estate, and consumer loans. The bank reported total loans of \$451.5 million as of December 31, 2000, which represents 78.4 percent of total assets. A distribution of the bank's lending portfolio, by dollar amount and percentage, is displayed in the table below.

Distribution of Total Loans²		
Credit Product Type	Amount in \$000s	Percentage of Total Loans
All Real Estate Loans	\$301,042	66.7%
Construction and Development	\$37,455	8.3%
Commercial Real Estate	\$128,525	28.5%
Multifamily Residential	\$4,064	0.9%
1-4 Family Residential	\$128,450	28.4%
Farmland	\$2,548	0.6%
Commercial and Industrial	\$61,160	13.5%
Loans to Individuals (Consumer)	\$81,395	18.0%
Agricultural	\$2,592	0.6%
Total Other Loans	\$5,270	1.2%
Totals Loans	\$451,459	100%

¹ The bank received a rating of satisfactory at the previous examination conducted on March 30, 1998 by the Office of the Comptroller of the Currency (OCC).

² For purposes of this chart, total loan information is derived from gross loans and leases reported on the Consolidated Report of Condition and Income as of December 31, 2000.

DESCRIPTION OF ASSESSMENT AREA

Arvest Bank's assessment area is defined as Benton, Washington, Carroll, and Boone Counties, which are located in the northwestern portion of the state of Arkansas. Since the previous examination, the bank has added Washington County to its assessment area. This change was due primarily to the proximity of the county to the bank's principal market area, Benton County, and the resulting lending and deposit activities in Washington County. Washington and Benton Counties combined make up the Fayetteville-Springdale-Rogers metropolitan statistical area (MSA) 2580. Carroll and Boone Counties are in the state of Arkansas' non-MSA geographies. As of 1990, the assessment area's population was listed as 257,859. This equates to 210,908 in MSA 2580, and 46,951 in the non-MSA areas.³ Year 2000 statistics⁴ show a 47.5 percent increase (to 311,121) in MSA 2580 and an increase of 35.9 percent (to 25,357) and 20.0 percent (to 33,948) for Carroll and Boone Counties, respectively. The population increases are primarily due to economic factors. The economic prosperity in the area has drawn a large base of people seeking employment.

The bank's main office is located in Rogers, Arkansas. Rogers is the largest city in Benton County, and in 1990 had a population of 25,462 according to U.S. Census Bureau statistics. Estimates for 1999 indicate a 53.7 percent increase in Rogers population to 39,130.⁵

Based on 1990 census data, the median family income level for the assessment area was \$28,570, compared to the Fayetteville-Springdale-Rogers MSA 2580 median family income level of \$29,073, and the state of Arkansas' non-MSA median family income level of \$22,208. According to the Department of Housing and Urban Development (HUD) statistics, the median family income for MSA 2580 for the year 2000 was \$44,300, and the median family income for the state of Arkansas' non-MSA for the year 2000 was \$32,500. Although there are no designated low-income and only four moderate-income geographies within Washington, Benton, Carroll, and Boone Counties, LMI families are present throughout the assessment area.

³ Source: U.S. Bureau of the Census 1990.

⁴ Source: U.S. Bureau: State and County QuickFacts. Data derived from Population Estimates, 2000 Census of Population and Housing.

⁵ Source: U.S. Bureau of the Census 1999 estimate.

The following tables depict the income characteristics and geographic distribution of the assessment area, by family income level, according to 1990 census data.

Assessment Area Population by Family Income Level⁶					
1990 Census Data	Income Level Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Assessment Area	12,265	14,277	18,229	28,606	73,377
	16.7%	19.5%	24.8%	39.0%	100%
MSA 2580	10,143	11,872	14,972	22,588	59,575
	17.1%	19.9%	25.1%	37.9%	100%
Non-MSA Arkansas	75,923	61,938	74,479	140,078	352,418
	21.6%	17.6%	21.1%	39.7%	100%
State of Arkansas	137,653	116,565	144,578	257,669	656,465
	21.0%	17.7%	22.0%	39.3%	100%

The above table indicates that the bank's assessment area is slightly more affluent than the MSA and non-MSA portions of the state as a whole. There are fewer LMI individuals in the assessment area (36.2 percent), compared to MSA 2580 (36.9 percent) and non-MSA Arkansas (39.1 percent).

⁶ Low-income is defined as individual income or, in the case of a geography, a median family income that is less than 50 percent of the MSA median family income or the statewide non-metropolitan median family income.

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

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

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

Distribution of Geographies in Assessment Area by Income Level					
	Income Level Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Washington County	0	4	22	3	30
Benton County	0	0	23	2	26
Carroll County	0	0	5	0	5
Boone County	0	0	5	1	6
TOTAL	0	4	55	6	67⁷
	0	6.0%	82.1%	9.0%	100%⁸
Population Percentage	0	15,061	211,202	31,596	257,859
	0	5.8%	81.9%	12.3%	100%

As the previous table indicates, there are only four LMI geographies and six upper-income geographies within the bank's assessment area. The majority of the geographies (55) are middle-income. The population levels within the geographies are reflective of this distribution.

Two community contacts were conducted in conjunction with the CRA assessment of the bank. Both contacts were involved in general economic development to include housing and small business in the cities of Rogers and Bentonville, as well as surrounding areas. Both contacts remarked that the overall economy in the area was in a high growth stage; however, there was a need for moderately priced (\$60,000-\$100,000) homes and multi-family housing. The contacts attributed this need for additional housing to the overall prosperity of the area, the influx of individuals and families to the area, and the increase of retirees to the area.

Housing statistics from 1990 show that of the 109,913⁹ housing units in the assessment area, 62.2 percent (68,335) are owner occupied, 31.6 percent (34,766) are rental units, and 9.4 percent (10,305) are vacant. In addition, 67.4 percent of the specified¹⁰ owner-occupied housing units are valued either below \$60,000¹¹ or above \$99,000. More recent data¹² shows an increase of total housing units in the area of 41.8 percent since 1990. Both of these statistics reinforce the opinion of the community contacts interviewed who stated that while there has been substantial economic growth in the area, there is still a need for additional housing units within the \$60,000-\$99,000 price range. Overall, the assessment area has moderately aged housing as expressed by

⁷ Benton County and Washington County each have a geography with no population. Therefore, calculations in this chart were figured using a total of 65 geographies reducing Benton County to 25 and Washington County to 29.

⁸ 2.9 percent of total is attributed to geographies with no population or income level.

⁹ Source 1990 Census Data.

¹⁰ Specified owner-occupied housing units include only one-family houses on fewer than 10 acres, without a business or medical office on the property. This excludes mobile homes.

¹¹ Source: 1990 U.S. Census Data.

¹² Source 2000 Census Data.

the median age of housing stock, which was 18 years. According to census data, LMI families have difficulty affording a house as evidenced by the assessment area affordability ratio of 45.5 percent.¹³ The affordability ratio ranges from 42.7 percent in Fayetteville-Springdale-Rogers MSA 2580 to 47.5 percent in non-MSA Arkansas.

The bank's assessment area has a broad employment base, with manufacturing, retail, service, and government being the largest employers. According to 1995 Regional Economic Information Statistics, of the 201,739 employees living in the assessment area, 21.5 percent (43,368) worked in manufacturing, 20.6 percent (41,569) in retail, 20.5 percent (41,363) in services, and 11.2 percent (22,549) in government. These four categories accounted for 73.8 percent of all employees living in the assessment area.

For the past several years, the bank's assessment area has been experiencing substantial economic growth. Retail, poultry, manufacturing, trucking, tourism, and retirement living are among the industries thriving in the area. The major employers that are headquartered in this area are Wal-Mart, J.B. Hunt Trucking, and Tyson Foods

According to the most current data (April 2001) from the U.S. Bureau of Labor Statistics, the unemployment rate for the counties in the bank's assessment area was Benton County at 1.8 percent, Boone County at 4.8 percent, Carroll County at 3.4 percent, and Washington County at 1.9 percent. The unemployment rate for the non-MSA counties of Boone and Carroll are relatively close in comparison to the Arkansas state unemployment rate of 4.2 percent; however, the Fayetteville-Springdale-Rogers MSA 2580 counties of Benton and Washington are substantially lower than the state and non-MSA counties. This reflects the economic growth in those particular counties. The unemployment figures for the assessment area have decreased since the previous CRA examination.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS

LENDING TEST

Arvest Bank meets the standards for a high satisfactory rating under the lending performance test. The distribution of loans to retail customers reflects good penetration among individuals of different income levels and businesses and farms of various sizes. An analysis of the geographic distribution of lending activity revealed a substantial majority of loans are located inside the bank's assessment area and adequate loan distribution through all income geographies. Lastly, although the bank did not make any specific community development loans, they used innovative and/or flexible lending practices to better serve LMI borrowers in their assessment area. Overall, lending levels reflect good responsiveness to assessment area credit needs.

¹³ The affordability ratio is calculated by dividing the median household income by the median household value (\$52,912) and represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

Loan information used in the analysis of Arvest Bank's CRA performance included 2000 Home Mortgage Disclosure Act (HMDA)¹⁴ data, 2000 CRA data for small businesses and small farms, a sample of all consumer retail installment loans originated in the last six months of 2000, and all of the 2000 affiliate lending generated by Arvest Mortgage Company attributed to the bank. These four loan categories are considered the bank's primary lines of business and are assumed to be indicative of the overall lending performance of the bank. The loan data was used to evaluate the bank's lending volume, distribution of lending by borrower income characteristics, community development lending, and the use of innovative and flexible lending practices.

Loan Distribution by Borrower Income/Revenues

The bank's lending reflects good penetration among retail customers of different income levels and good penetration among businesses and farms of different sizes. Lending patterns are generally consistent with demographic and aggregate lending data for each group of products reviewed.

Residential and consumer retail installment loans were reviewed to determine the level of penetration among borrowers of different income levels.¹⁵ The number and dollar amount of these loans were compared to the number of families within each income level throughout the overall assessment area. Separately, small business and small farm loans originated by the bank were evaluated for distribution among businesses and farms of various revenue sizes. Separately, small business and small farm loans originated by the bank were evaluated for distribution by gross annual revenue.¹⁶

¹⁴ In 2000, the bank reported data on home mortgage loans consisting of home purchases, home refinancing, and home improvement loans.

¹⁵ Borrower income is determined by using the income definitions in footnote 5, but is based on the 2000 median family income figure of \$43,300 for MSA #2580 and \$32,500 for the state of Arkansas non-MSA, as made available by the Department of Housing and Urban Development, rather than the 1990 census data.

¹⁶ Loans were categorized according to businesses and farms with gross annual revenues of \$ 1 million or less and loans to businesses and farms with gross annual revenues greater than \$1 million.

The following table shows the distribution of HMDA reportable loans (bank and affiliate) and consumer retail installment loans by income level of borrower for the bank's assessment area.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower \$(000s)					
Loan Type	Borrower Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
HMDA	46 8.0%	92 16.0%	145 25.2%	293 50.8%	576¹⁷ 100%
	\$1,130 3.6%	\$3,179 10.1%	\$6,928 22.0%	\$20,292 64.3%	\$31,529 100%
Affiliate HMDA	40 10.4%	121 31.6%	105 27.4%	117 30.6%	383 100%
	\$1,834 5.2%	\$7,235 20.7%	\$8,348 23.9%	\$17,574 50.2%	\$34,991 100%
Consumer Retail Installments	28 16.7%	34 20.2%	50 29.8%	56 33.3%	168 100%
	\$269 10.4%	\$411 15.9%	\$725 28.0%	\$1,185 45.7%	\$2,590 100%
TOTAL	114 10.1%	247 21.9%	300 26.6%	466 41.4%	1,127 100%
	\$3,233 4.7%	\$10,825 15.7%	\$16,001 23.1%	\$39,051 56.5%	\$69,110 100%
Aggregate 1999 HMDA Data ¹⁸	7.9%	18.5%	27.6%	46.0%	100%
Assessment Area Family Population	16.7%	19.5%	24.8%	39.0%	100%

As shown in the above table, 36.9 percent (26.3 percent by dollar volume) of consumer retail installment loans were extended to LMI borrowers, which exceeds the LMI population level of 36.2 percent.

When reviewing 2000 HMDA reportable loans, the bank originated 24.0 percent (13.7 percent by dollar volume) of the loans to LMI individuals, which is somewhat lower than the LMI population. For additional comparison, 2000 affiliate lending through Arvest Mortgage Company was reviewed. Arvest Mortgage Company originates loans with more flexible terms, including FHA and VA loans, in an effort to accommodate LMI real estate borrowers. Arvest Mortgage Company originated 42.0 percent (25.9 percent by dollar volume) of real estate loans to LMI individuals on behalf of Arvest Bank.

¹⁷ Thirty-five loan files did not contain applicant income.

¹⁸ The percentages reflect the number of loans generated by all HMDA reporters in the assessment area.

Arvest Mortgage Company's lending of 32.0 percent by number far exceeded the aggregate. Overall, the combined residential lending activity of Arvest Bank and Arvest Mortgage Company to LMI individuals is 31.2 percent by number. This performance is quite good considering that, as discussed in the "Description of the Assessment Area" section of this report, housing costs are quite high, making it difficult for LMI families to afford owner-occupied housing. Overall, this analysis reflects good penetration among retail customers of different income levels. The bank's distribution of small business and small farm loans is good, as illustrated by the following tables.

Lending Distribution by Small Business Revenue Level				
Gross Revenue	Loan Origination Amount (\$000s)			TOTAL
	≤\$100	> \$100= \$250	> \$250= \$1,000	
\$1 Million or Less	709	77	35	821
	86.4%	9.4%	4.2%	100%
Greater Than \$1 Million	114	27	40	181
	63.0%	14.9%	22.1%	100%
TOTAL	823	104	75	1002
	82.1%	10.4%	7.5%	100%

The above table shows a large volume of loans made to small businesses, which are defined as entities having gross annual revenues of \$1 million or less. The bank originated 81.9 percent of its business loans to small businesses. This compares favorably to 1999 CRA aggregate data percentages, which show that for all reported small business loans in the bank's assessment area by all lenders, 78.4 percent were made to small businesses. Dun and Bradstreet data show that 89.2 percent of businesses in the assessment area are considered small businesses. In addition, the bank extended 82.1 percent of its loans to small businesses in amounts of \$100,000 or less.

Lending Distribution by Small Farm Revenue Level				
Gross Revenue	Loan Origination Amount (\$000s)			TOTAL
	≤\$100	> \$100=\$250	> \$250=\$500	
\$1 Million or Less	67	4	0	71
	94.4%	5.6%	0.0%	100%
Greater Than \$1 Million	0	0	0	0
	0.0%	0.0%	0.0%	0.0%
TOTAL	67	4	0	71
	94.4%	5.6%	0.0%	0.0%

The previous table shows a large volume of loans made to small farms, which are defined as entities having gross annual revenues of \$1 million or less. The bank originated 100 percent of its farm loans to small farms. These figures compare favorably to the 1999 CRA aggregate data percentages, which show that 98.6 percent of all reported small farm loans, made by all reporting financial institutions in the assessment area, were made to small farms. Dun and Bradstreet data show that 96.0 percent of farms in the assessment area are considered small farms. In addition, the bank extended a high percentage (94.4 percent) of its loans to small farms in amounts of \$100,000 or less.

Lending in the Assessment Area

The bank's 2000 HMDA reported loans, CRA reported small business/small farm loans, consumer installment loans, and affiliate 2000 HMDA loans were reviewed to evaluate the level of lending within the assessment area, as summarized by the following table.

Distribution of Loans In/Out of the Assessment Area (\$000s)					
Loan Type	Sample Size	Inside Assessment Area		Outside Assessment Area	
		Number	Dollar	Number	Dollar
Bank HMDA	689 \$39,754	611 88.7%	\$34,693 87.3%	78 11.3%	\$5,061 12.7%
Consumer Installment	185 \$3,062	168 90.8%	\$2,590 84.6%	17 9.2%	\$472 15.4%
Small Business and Small Farm	1,255 \$95,935	1,073 85.5%	\$81,436 84.9%	182 14.5%	\$14,499 15.1%
TOTAL	2,129 \$138,751	1,852 87.0%	\$118,719 85.6%	277 13.0%	\$20,032 14.4%

The previous table demonstrates that a high percentage of loans were extended to borrowers inside the bank's assessment area. Of the total loans reviewed, 85.7 percent by number and 84.4 percent by dollar, are located within the assessment area

Loan Distribution by Geography

The geographic distribution of loans in the assessment area is considered in evaluating lending performance. Loans are evaluated based upon distribution among geographies and compared to the population within these geographies as defined by 1990 Bureau of Census information. Further comparisons are included as deemed relevant. For HMDA reportable loans, the level of lending is also compared to the percentage of owner-occupied housing units within each income level and the aggregate lending activity within the assessment area.

A determining factor in the analysis of Arvest Bank's performance in this category is the reasonableness of the bank's assessment area. The bank includes Washington County

in its assessment area, which appears reasonable since Washington County borders Benton County and both are part of the Fayetteville-Springdale-Rogers MSA #2580. The bank, however, does not have any branches in Washington County. In addition, the only LMI geographies within the bank's assessment area are in Washington County. Lastly, Washington County is the primary market area for other affiliates of Arvest Bank. All of these factors were considered and weighted heavily in the geographic distribution analysis. The number and dollar volume of the bank's HMDA, affiliate HMDA, consumer installment, and small business and small farm loans extended in low-, moderate-, middle-, and upper-income geographies are listed in the following table.

Geographic Distribution of Loans (Number and Dollar Volume in \$000s) Across Assessment Area by Income Level of Geography					
Loan Type	Geography Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Bank HMDA	0	5	564	42	611
	0.0%	.8%	92.3%	6.9%	100%
	\$0	\$955	\$31,497	\$2,241	\$34,693
	0.0%	2.7%	90.8%	6.5%	100%
Affiliate HMDA	0	1	336	46	383
	0.0%	0.3%	87.7%	12.0%	100%
	\$0	\$70	\$30,532	\$4,389	\$34,991
	0.0%	0.2%	87.3%	12.5%	100%
Consumer Installment	0	2	148	18	168
	0.0%	1.2%	88.1%	10.7%	100%
	\$0	\$7	\$2,271	\$312	\$2,590
	0.0%	0.3%	87.7%	12.0%	100%
Small Business and Small Farm	0	10	1,019	44	1073
	0.0%	0.9%	95.0%	4.1%	100%
	\$0	\$1,358	\$74,240	\$5,838	\$81,436
	0.0%	1.7%	91.1%	7.2%	100%
TOTAL	0	18	2,067	150	2,235
	0.0%	0.8%	92.5%	6.7%	100%
	\$0	\$2,320	\$108,008	\$8,391	\$118,719
	0.0%	2.0%	91.0%	7.1%	100%
Population Percentage Residing in Geography	0.0%	5.8%	81.9%	12.3%	100%
1999 HMDA Aggregate	0.0%	2.7%	82.7%	14.6%	100%
Owner-Occupied Housing Units	0.0%	2.4%	83.8%	13.8%	100%

As illustrated in the previous table, the distribution of loans (0.8 percent by volume and 2.0 percent by dollar) is less than the percentage of the population residing in LMI geographies (5.8 percent). The bank's lending performance for both HMDA loans and consumer loans in LMI geographies appears to be low. There are, however, mitigating factors for the bank's performance in this category. As previously discussed, the bank does not have any branch locations in any of the four moderate-income geographies in the assessment area. In addition, the bank has affiliates that serve the credit needs of these LMI geographies as their primary assessment area. Lastly, HMDA aggregate data for 1999 shows only a 2.7 percent penetration level to LMI geographies within the assessment area and 2.4 percent of the owner-occupied housing units in the assessment area are in LMI geographies. All of these factors were used to determine that the bank's geographic distribution of loans is adequate.

Arvest Bank's small business and small farm lending in LMI geographies is similar to its penetration levels, as previously discussed, with their retail lending products. Since the bank does not have branches in any of the LMI geographies, and the bank's affiliates are serving the credit needs of these areas, it is difficult for the bank to obtain loans in this portion of their assessment area. The bank made 1.0 percent (1.7 percent by dollar volume) of its small business and small farm loans in moderate-income geographies, compared to 5.6 percent for the aggregate in the assessment area. Small farm loans to borrowers in LMI geographies represent zero percent of all small farm loans originated by the bank, compared to 0.7 percent for the aggregate in the assessment area. Dun and Bradstreet data for the assessment area reflected 9.2 percent penetration of small businesses in LMI geographies and 3.4 percent penetration of small farms in LMI geographies.

An analysis was also performed to determine the bank's effectiveness in penetrating the geographies within the assessment area. The following table shows the number of geographical areas, by income type, with bank lending activity.

Dispersion of Lending in Assessment Areas			
	Number of Geographies	Number of Geographies with Loan Activity	Percent of Geographies with Loan Activity
Low	0	0	N/A
Moderate	4	4	100%
Middle	55	50	90.9%
Upper	6	6	100%
TOTAL	65	60	92.3%

As the table above indicates, of the 65 geographies in the assessment area, 92.3 percent of all geographies have loan activity. All moderate-income geographies had loan activity, and only five total geographies, all of which are classified as middle-income, did not have any activity. The five geographies with no activity are in areas where Arvest Bank affiliates have a branch location.

Lending Activity

An indication of the bank's overall level of lending is also its loan-to-deposit (LTD) ratio. The following table shows Arvest Bank's average LTD ratio along with that of its local competitors for the last 12 quarters.

Loan-to-Deposit Ratio Competitor Analysis		
Name	Asset Size (\$000s) ¹⁹	Average LTD ²⁰ Ratio
Arvest Bank of Rogers	\$575,762	86.7%
Local Bank Competitors	\$120,735	74.6%
	\$205,228	85.4%
	\$463,630	79.5%
	\$713,855	91.3%

Arvest Bank's average LTD ratio for the 12 quarters since the last CRA examination was 86.7 percent. The average LTD ratios for its local competitors range from a low of 74.6 percent to a high of 91.3 percent. The bank's average compares favorably with the other competitors in the assessment area. 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.

Community Development Lending

Arvest Bank did not report any community development loans in gathering its data under the CRA regulation since the previous examination. However, many loans included in the bank and affiliate HMDA data were funded through state and federal affordable housing programs. The bank has been especially involved in a program through the Arkansas Development Finance Authority (ADFA) for LMI borrowers that are first-time homebuyers.

In addition, the bank is involved in a Community Investment Program (CIP) through the Federal Home Loan Bank of Dallas. The CIP program is a favorably priced advance program to assist financial institutions in funding affordable housing, economic development and commercial revitalization in the markets they serve. CIP funds must benefit families or individuals with incomes at or below 115.0 percent of the area median income through housing finance. CIP funds may also be used for commercial and economic development projects that benefit LMI households (with incomes up to 80.0 percent of the median for the area) or are located in LMI neighborhoods.

¹⁹Total assets as of December 31, 2000 from the Consolidated Report of Income and Condition.

²⁰This figure represents a 12-quarter average going back to the quarter ending nearest the previous CRA examination of Arvest Bank on March 30, 1998.

Innovative or Flexible Lending Practices

The bank makes use of loan programs that have innovative and flexible lending features in serving assessment area credit needs. The programs that are available bank-wide are listed below.

Arkansas Development Finance Authority (ADFA) — This program directly benefits low- and moderate- income first-time homebuyers and is funded through state of Arkansas bond issues. The program offers below market interest rates and borrowers can also qualify for down payment and closing cost assistance. In addition, the bank is active in homebuyer education programs offered through the ADFA. During the period since the previous CRA examination, 155 loans were originated in these programs for a total of \$6.57 million

Federal Housing Administration (FHA) – This is a government-insured loan program that requires little or no down payment. This program benefits many LMI individuals, especially first-time homebuyers. During 2000, 142 loans were originated for a total of \$10.5 million.

Veteran’s Administration (VA) - This government-guaranteed loan program is offered to veterans with little or no down payment required. During 2000, 27 loans were originated for a total of \$2.3 million.

Farmers Home Administration (FmHA) – This agency officers various loan programs designed to assist family farmers who do not qualify for ordinary bank financing. During 2000, 20 loans were originated for a total of \$1.7 million.

Small Business Administration (SBA) – The bank is in the Certified Lender Program and participates in various SBA loan projects which assist new and growing businesses that are qualified and meet specific criteria. Currently, 55 SBA loans are outstanding for a total of \$6.6 million.

Certificate of Deposit Loan Program – The bank has created this program to assist LMI borrowers that do not have an established credit history. Arvest Bank advances funds to individuals in the program, these funds are then used to purchase a certificate of deposit which is used as collateral for the loan. The certificate of deposit is given to the borrower upon repayment of the loan. The loan is repaid over a specified period of time, thereby helping the individual establish a credit history.

INVESTMENT TEST

Arvest Bank is rated “needs to improve” under the investment test. Although the bank has no qualified community development investments, it has made nominal contributions to qualified community development initiatives.

Qualified Investments

Arvest Bank has not participated in any qualified community development investments as defined by the regulation. The bank has invested in several community programs; however, they do not qualify for credit under the CRA. Bank management is committed to find and participate in qualified investments in the future.

Qualified Grants and Donations

Arvest Bank has made a nominal number of community development grants and donations since the previous examination. The bank has made a total of \$151,331 in grants, sponsorships, and donations for projects that have a community development purpose. In total, the bank made qualified grants to 50 different organizations throughout their assessment area. The above dollar amount includes grants and donations made in the bank's name by The Walton Family Foundation (Foundation). The Walton Family Foundation is a non-profit philanthropic organization established to make donations in its own name and the name of various affiliated companies. The Foundation will generally approve requests from the bank based on established criteria. The bank and the Foundation made some donations toward community activities in the assessment area for 1998, 1999, 2000, and 2001.

The following is a listing and description of the bank's more significant investments/donations.

Rogers Development Foundation - This organization provides for scholarships to graduating Rogers High School seniors based on economic need and academic performance.

Habitat for Humanity – This organization constructs and sells houses to LMI families and individuals in the Benton County area.

The United Way - The bank made donations to United Way agencies throughout their assessment area in Benton, Washington, Boone, and Carroll counties. The United Way and its affiliates primarily serve LMI families and individuals.

St. Mary's Hospital Foundation – This organization provides health care for LMI individuals and families in Northwest Arkansas.

Adult Development Center of Benton County – This organization operates a sheltered workshop providing job training and placement services for disabled individuals. The organization also provides a "Group Home" residence for severely disabled individuals.

City of Rogers, Community Development Support Center – This center provides assistance in the areas of relocation, housing, health services, public education, and city services to low- and moderate- income residents in the assessment area.

Arkansas Single-Parent Scholarship Fund – This state/county fund provides financial aid to LMI adult students seeking to further their education. The assessment area participating in this fund include Benton, Boone, Carroll, and Washington Counties.

Small Business Development Center – This center located at the University of Arkansas in the city of Fayetteville, provides counseling, seminars, and resources free of charge to small businesses and entrepreneurs in Northwest Arkansas.

Arkansas Support Network – This organization works with disabled children and adults in order to enable them to participate more fully in the life of the community. The organization provides education, training, supported living services, and supported employment services.

SERVICE TEST

Arvest Bank is rated high satisfactory under the service test for large banks. The bank's delivery systems are readily accessible to all portions of the bank's 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 certain 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. Community development services are excellent, as the bank is extremely involved in community projects and organizations that benefit LMI areas and individuals.

Retail Services

Arvest Bank maintains a branch network readily available to depositors and borrowers (including LMI individuals) in the bank's assessment area. The branch network consists of 11 branches (six full-service branches), all of which are located in middle-income geographies. The limited service branches offer consumer lending products; however, real estate and commercial lending customers are referred to other Arvest Bank locations. Three branch facilities are located in Wal-Mart Supercenters and offer the greatest opportunity to serve all of the assessment area, regardless of income level or geographies. The bank also operates 22 ATMs, 10 are located at their branches and 12 are free-standing units to allow additional accessibility to Arvest Bank customers. As discussed in the "Description of Assessment Area" section of this report, the bank does not have any branch facilities in Washington County. This is reasonable, however, given that this county is the primary service area of other Arvest Bank affiliates.

Branch facility business hours are relatively consistent across all branches regardless of the economic characteristics of the area or clientele served. Some branch facilities are closed on Saturdays, however; they offer extended hours of operations at some point during the week. Similarly, it was found that most drive-thru facilities remain open to at least 6 p.m. Monday through Friday and are open to at least 12 p.m. on Saturdays.

The bank offers services tailored to meet the needs of the community, including LMI individuals. The bank offers standard retail products, including low-cost checking and savings accounts, certificates of deposit, real estate and consumer loans, and other services. Bank staff offers assistance to all consumers in completing loan applications. In addition, because of the growing Hispanic population in the community, the bank has several bilingual employees to assist new and existing bank customers.

The bank also maintains alternate delivery systems designed to meet the needs of its customers. A telephone-banking line is available to give customers information about deposit and loan accounts, rate information, and the ability to transfer funds between deposit accounts. Arvest Bank also offers an Internet web-site where customers can obtain information, apply for a loan, or open an account.

In addition to the services provided by Arvest Bank, access to banking services and information is available through the bank's parent company, Arvest Bank Group, Inc. The bank's customers have no-cost access to all Arvest Bank ATMs in Arkansas, Oklahoma, and Missouri.

Community Development Services

Arvest Bank is a leader in providing community development services throughout its assessment area. The bank's primary focus is to address individuals' and community organizations' counseling and educational needs, and to provide technical assistance in the area of financial services. The bank is involved with 28 different organizations that benefit LMI individuals and small businesses in the assessment area.

The following is a listing and description of the more significant community development services and programs offered.

- *Outreach Programs* - Arvest Bank continues to provide programs to benefit the growing Hispanic population in the community. The bank offers seminars, taught in Spanish, that include subjects on applying for a loan, writing checks, balancing a checkbook, establishing credit, and starting a business. The bank provides all the resources for these seminars, and they have been recognized nationally for their efforts. In conjunction with these programs, the bank has created partnerships between the bank, area employers, churches, and the community. The bank is also using this program and resources to provide training to other banks and organizations on a nationwide basis.
- *Northwest Arkansas Small Business Development Library* – This organization provides support and counseling to small businesses and entrepreneurs in the community. Bank representatives serve on the board of directors of this organization and also make presentations to groups throughout the assessment area.

- *Ozark Guidance Center Foundation* – This organization specializes in providing health care services for underinsured and uninsured individuals in the community. Bank representatives serve on the board of directors and the fundraising committee.
- *Service Corps of Retired Executives (SCORE)* – Bank representatives facilitate and provide advise at the SCORE meetings which benefit small businesses in the assessment area.
- *First-Time Home Buyers Program* – Bank representatives present this program to community groups in order to educate and inform LMI individuals about home loans available through affordable housing programs offered by the Arkansas Development Finance Authority bond program.
- *United Way* – Bank representatives serve in several financial capacities with this organization which benefits primarily LMI individuals and families throughout the bank’s assessment area.
- *Northwest Arkansas LifeLine* – Bank representatives serve on the board of directors and as treasurer of this organization which provides assistance to elderly individuals in the assessment area.
- *First Steps* - This program provides business classes in Spanish to promote small business ownership. Bank representatives facilitate the program and make presentations to Hispanic individuals and groups.
- *Arkansas Single-Parent Scholarship Fund* – A bank representative serves as treasurer for this organization that provides financial aid to LMI adult students seeking to further their education.

The Bank’s Record of Opening/Closing Branches

A review of the bank’s record of opening and closing branches reveals that the bank has opened one branch (in a middle-income geography) and has not closed any branches since the previous CRA examination.

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 major product lines were reviewed for analysis under the lending test. The loans used in the analysis included all of the bank's HMDA reported data for 2000, Affiliate HMDA reported data for 2000, all CRA reported small business and small farm data for 2000, and a sample of consumer installment loans originated in 2000. Also, the bank was asked to provide information concerning the number and dollar volume of community development loans, the number and dollar amount of qualified community development investments, and retail services including any qualified community development services. The bank has one assessment area.			
TIME PERIOD REVIEWED		April 1998 through April 2001	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Arvest Bank Rogers, Arkansas		Bank and Affiliate HMDA Data Small Business Small Farm Consumer Installment	
AFFILIATE(S) REVIEWED	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Arvest Mortgage Company	Subsidiary		HMDA data
LIST OF ASSESMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Benton County, Arkansas Boone County, Arkansas Carroll County, Arkansas Washington County, Arkansas	On-Site	Main Office Dixieland Branch Lowell Branch Pea Ridge Branch	N/A

