

**ARKANSAS STATE BANK DEPARTMENT  
EXAMINATION POLICY**

Policy Number	<u>06-01</u>
Effective Date	<u>08-21-06</u>
Supersedes	<u>07-18-05</u>
Approval	_____

**SUBJECT: Investments in Bank Premises**

**PURPOSE**

This policy has been established in order to provide Arkansas state chartered banks with additional information regarding investments in bank premises and to provide guidance for the submission of the request to the Bank Commissioner.

**REGULATION**

Pursuant to the Arkansas Banking Code §23-47-103,

“(a) A state bank or subsidiary trust company, acting with the prior approval of the Bank Commissioner, may acquire bank premises to be used, occupied, or owned by it.

(b)(1) Any state bank acting with the prior approval of the commissioner may cause the title to its bank premises, now owned or at any time hereafter acquired by the bank to be held by a subsidiary corporation which shall be wholly owned by the bank.

(2) A state bank having such a subsidiary may rent the bank premises or any portion thereof from the subsidiary or acquire the title to the premises by purchase from the subsidiary or through its liquidation under such terms and conditions as may be approved by the commissioner.

(c) A state bank may with the prior approval of the commissioner invest in bank premises or in the stock, bonds, debentures, or other obligations of the subsidiary owning the bank premises, or make loans to, or upon the security of the stock of the subsidiary, if the aggregate of all such investments or loans, together with the amount of any indebtedness incurred by the subsidiary, will not exceed one hundred fifty percent (150%) of the capital base of such state bank.”

**BANK PREMISES ARE DEFINED AS FOLLOWS:**

“includes the state bank's or subsidiary trust company's main office site, all branch and other lawful office sites, the main office building and all other branch and other lawful office buildings, any or all of which may have additional space for occupancy by tenants, and any parking areas or parking structures that constitute adjuncts to any of the state bank or subsidiary trust company property;”

Prior approval is required if an Arkansas state chartered bank desires to make an investment in premises through one of the following:

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- The purchase of real estate for future expansion purposes or any other purpose.
- The construction or acquisition of a building or other structure (including a mobile facility) to be utilized by the bank for banking purposes. However, the construction or acquisition of a temporary or permanent facility to be utilized as a full service branch will require a branch application and the premises request would be addressed in the application.
- A remodel or renovation of an existing banking facility, if the costs associated with the remodel or renovations exceed a minimal sum. The Bank Commissioner considers a minimal sum to be **\$50,000 or less**.

The bank must submit to the Bank Commissioner, a written request that, at a minimum, addresses the following information:

In the case of land, identify the property to be acquired and provide the location and legal description.

- The amount of the proposed expenditure.
- The purpose of the proposed expenditure.
- Discuss details concerning any involvement, directly or indirectly, by an insider (executive officers, directors, or shareholders who directly or indirectly control five (5) percent or more of any class of outstanding voting stock) of the bank or bank holding company (if applicable) or their immediate family or related interests. Provide the following information regarding any financial arrangements relating to fees, the acquisition of property, leasing of property, and construction contracts:
  - Name of individual or related interest and relationship to Applicant; and
- Information to reflect that terms and conditions are not more favorable, for seller/lessor, than would be available in a comparable transaction with an unrelated party (information should include the fair market value or appraised value of any property, building, fixtures, equipment, etc., to be acquired and comparative sales information). The appraisal or evaluation, whichever is required, submitted must be prepared by an independent party.
- A copy of the Board minutes approving the transaction that reflects the bank insider's abstention from the discussion and voting.
- Provide the current balance of the bank's fixed asset account as of the previous month-end.
- Provide the current outstanding costs associated with any additional projects approved by the Commissioner and in process of completion.

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All of the information submitted with the request will be retained by the Bank Department. The Commissioner will review the proposed request and respond with a written decision. The Commissioner's decision will be rendered in a reasonable amount of time.

The aforementioned procedures do not include all possible scenarios regarding investment in premises and fixed assets. If a bank is uncertain as to any necessary approval regarding investments in fixed assets, contact the Bank Department for clarification.