



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

March 31, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The Caney Valley National Bank
Charter Number 5349

301 West 4th Street
Caney, Kansas 67333

Office of the Comptroller of the Currency
Tulsa Duty Station

7134 South Yale, Suite 901
Tulsa, Oklahoma 74136

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or, opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **The Caney Valley National Bank** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **March 31, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Institution's CRA Rating: This institution is rated Satisfactory.

- The bank's volume of lending is comparable to similar sized financial institutions.
- A substantial majority of loans are originated within the assessment area, including low-and moderate-income areas.
- Credit is available to individuals with various levels of income, including low-and moderate-income individuals.
- The bank demonstrates a commitment to small business and small farm lending.

The following table indicates the performance level of **The Caney Valley National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	The Caney Valley National Bank Caney, Kansas Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to deposit ratio		X	
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Caney Valley National Bank (CVNB) is a \$32 million independent bank based in Caney, Kansas. CVNB is owned by Caney Valley Bancshares, Inc., a one-bank holding company. The bank operates its main office in Caney, with an attached drive-in facility. There are no branches or ATMs. As evidenced by the composition of the loan portfolio, the bank's primary business strategy focuses on residential real estate, commercial and commercial real estate, and agricultural lending. At March 31, 1997, these categories represented approximately 86% of the bank's loan portfolio. A breakdown of this loan mix follows:

Loan Type	Percent of Portfolio
1-4 Family Residential Real Estate	35%
Commercial & Commercial Real Estate	31%
Livestock/Farmland/Agricultural	20%

Based on its financial condition and size, product offerings, and prior performance, CVNB has the ability to meet the various needs of its communities. No legal impediments or other factors hinder management's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

CVNB has designated its assessment area as the portion of Montgomery County, Kansas, including the toms of Caney, Havana, Tyro, Dearing, and Coffeyville; portion of Chautauqua County, Kansas, including the towns of Niotaze, Peru, and Sedan; portions of Washington County, Oklahoma, including the towns of Bartlesville, Dewey, and Copan; and portions of Nowata County, Oklahoma, including the town of Wann.

The assessment area meets the requirements of the regulation. Of the nineteen census tracts served, none are low-income tracts, three are moderate-income tracts, nine are middle income tracts, and seven are upper income tracts. The assessment area does not arbitrarily exclude low- and moderate-income (LMI) geographies. U.S. Census data indicates the median family income for the assessment area is \$25,380. The following table shows the income distribution of total families living in the assessment area:

Income Level	Count	Percentage
Low Income	0	0%
Moderate Income	2,352	12%
Middle Income	8,129	41%
Upper Income	9,224	47%
Totals	19,705	100%

Source: U.S. Census Data

According to 1990 U.S. Census data, the population of the assessment area is 67,160. Demographic data reveals the population is 90% white, 6% American Indian, 3% black, and 1% other race.

The local economy is diversified with light-to-medium industries, agriculture, oil production and oil-related businesses, and several retail businesses. Major employers in the assessment area include Phillips Petroleum Company, Bartlesville, Oklahoma (4,500); Jane Phillips Hospital, Bartlesville, Oklahoma (820); Spears Manufacturing Co., Caney, Kansas (205); and Kopco, Caney, Kansas (101). The area is served by thirteen financial institutions, including CVNB.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank has a good loan-to-deposit ratio, given its asset size, financial condition, and the known credit needs of the assessment area. Since the last CRA evaluation in June 1994, the bank's quarterly loan-to-deposit ratio has averaged approximately 61%. This is comparable to the 65% average reported by other financial institutions located in Montgomery County. During the twelve quarters reviewed, the bank's loan-to-deposit ratio increased from 57% on June 30, 1994, to the March 31, 1997, ratio of 63%.

The bank has been active in providing credit to develop the community. Examples include:

- *Residential lending:* Residential real estate loans represent 35% of the loan portfolio. Management realizes this is a community need they can meet.
- *Livestock and Agricultural lending:* Loans secured by livestock, agriculture production loans, and loans secured by farmland represent 20% of the loan portfolio.
- *Commercial Business and Commercial Real Estate lending:* Loans to commercial businesses and secured by commercial real estate represent 19% and 12% of the portfolio, respectively.

Lending in the Assessment Area

A substantial majority of loans are originated within the assessment area. Based on management's analysis of all loans originated from January 1, 1996, to January 28, 1997, 84% of the loans originate within the assessment area. A sample of residential and automobile loans revealed 99% were originated within the assessment area. This indicates management is committed to the local communities and takes an active role in meeting credit needs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The loan portfolio reflects a reasonable distribution among individuals of various income levels. Of the loans sampled, approximately 60% of automobile loans and 30% of real estate loans are to LMI individuals. The following table reflects the distribution by income category:

Distribution of Lending by Borrower Income

Income Level	Automobile Loans	Real Estate Loans
Low Income	20%	12%
Moderate Income	40%	18%
Middle Income	30%	24%
Upper Income	10%	46%
Totals	100%	100%

Source: Loan review of 10 automobile loans and 17 real estate loans.

The loan portfolio reflects a good distribution among businesses of various sizes and small farms. A sample of commercial loans revealed a majority of the lending is to small businesses. In fact, 71% of the loans sampled were to businesses with annual revenues less than \$500 thousand. This distribution supports the conclusion that CVNB is committed to small business lending.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Management's analysis revealed loan penetration in every census tract within the assessment area. As expected, the bulk of the lending is located in Caney where the main banking office is located. LMI areas are not being arbitrarily excluded.

Response to Complaints

No complaints relating to CRA performance have been received by management.

Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted as part of a concurrent compliance examination of CVNB. Management is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No violations of law were identified,