



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 14, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pauls Valley National
Charter Number 7892**

101 W. Paul Street
Pauls Valley, OK 73075

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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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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 Pauls Valley National, Pauls Valley, Oklahoma as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of December 14, 2001. 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.

A **Satisfactory** rating is appropriate based on the bank's demonstrated ability to meet the credit needs of the community. Specifically:

- A majority of the bank's loans are made within the assessment area.
- The bank's loan to deposit ratio is reasonable when compared to banks of similar size and characteristics in the trade area.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and business of different sizes.
- The geographic distribution of loans is satisfactory throughout the assessment area.

The Pauls Valley National Bank in Pauls Valley, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

Pauls Valley National Bank (PVNB) is community bank located in Pauls Valley, Oklahoma. PVNB, an affiliate of Valley Bancshares, Inc., has sufficient resources devoted to meeting community credit needs. PVNB's main office is located at 101 West Paul Street. A drive-up facility and a 24-hour automatic teller machine (ATM) are located at 217 West Paul Street. Management and the Board's primary focus is to serve commercial and consumer customers in Garvin County. The bank meets customer's needs by providing traditional loan and deposit products.

As of September 30, 2000, PVNB had total assets of \$92 million, of which \$54 million, or 57 percent of total assets, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consisted of the following:

Loan Category	\$ (000)	%
Real Estate Loans	19,687	36.29
Consumer Loans	16,281	30.01
Commercial Loans	15,608	28.77
Agricultural Loans	2,673	4.93
Total	54,249	100.00

The bank received an overall rating of Satisfactory at the last Community Reinvestment Act examination dated February 19, 1997. There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income areas. The assessment area is identified as all of Garvin County in South Central Oklahoma. Garvin County is where all of the bank's operations are located. The total population of the assessment area approximates 27 thousand, with 3 thousand, or 11 percent, being minority. The largest minority population consists of Native Americans at 2 thousand, or 7 percent of the total population.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	26,605
Number of Households	10,469
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	1
% Middle-Income Census Tracts/BNA	8
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	23,357
1990 HUD-Adjusted MFI	34,000
<i>Economic Indicators</i>	
Unemployment Rate	3.66%
1990 Median Housing Value	31,849
% of Households Below Poverty Level	21.19%

As the above table depicts, one of the nine census tracts is moderate income with the other eight being middle income. Of the 26,605 families, 21.8 percent are low income, 18.6 percent are moderate income, 21.3 percent are moderate income, and 38.2 percent are upper income. Major employers in the area are Wal-Mart Distribution Center, Oklahoma Resource Center, Curwood, Covercraft, Pauls Valley Public Schools, and Pauls Valley General Hospital. The economy is somewhat diversified due to the number of small business operations in the assessment area.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to this contact. The primary need indicated by the contact relates to the need for increased housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Consistent with available resources and capabilities, the bank is considered satisfactory in meeting the credit needs of the entire assessment area.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory. This determination is based on the bank's quarterly average loan to deposit ratio of 65 percent. The actual ratio at September 30, 2001 was 71 percent. The average loan-to-deposit ratio for the 28 banks in Garvin and the surrounding counties at September 30, 2001 was 67 percent, with actual ratios ranging from 30 percent to 94 percent. The average loan-to-deposit ratio for the four banks in the trade area (listed in table below) was 66 percent at September 30, 2001.

Institution	Assets as of 9/30/2001 \$ (000)	Quarterly Average LTD Ratio
Farmers & Merchants, Maysville	\$14,960	42%
The State Bank of Wynnewood	\$39,316	75%
First American Bank, Purcell	\$186,942	80%
McClain Bank, N.A., Purcell	\$127,060	66%
<i>Pauls Valley National Bank</i>	<i>\$91,649</i>	<i>65%</i>

Lending in Assessment Area

PVNB's lending in their assessment area meets the standards for satisfactory performance. The table below and external analysis reflect that a majority of the loans are originated in the bank's defined assessment area.

TOTAL LOANS								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Real Estate	433	88%	16,943	85%	57	12%	3,003	15%
Agriculture	124	83%	1,767	65%	26	17%	934	35%
Commercial	2,326	77%	22,755	75%	686	23%	7,561	25%
Direct Leases	5	100%	177	100%	0	0	0	0
Installment	30	79%	57	75%	8	21%	18	25%
Total	2,918	79%	41,699	78%	777	21%	11,516	22%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

PVNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and business of different sizes. The following tables represent a favorable distribution of lending based on the sample of 38 consumer loans, 38 residential real estate loans, and bank reports on all commercial/agricultural loans.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21.9		18.6		21.3		38.2	
LOANS BY YEAR	% of Number	% of Amount						
1997-98	36.36%	24.35%	54.55%	59.22%	9.09%	16.43%	0	0
1999-00	33.33%	18.24%	44.44%	42.57%	11.11%	14.47%	11.11%	24.71%
2001	33.33%	18.09%	33.33%	34.03%	33.33%	47.88%	0	0
Cumulative disbursement	34.21%	19.80%	44.74%	44.81%	15.79%	23.31%	5.26%	12.07%

The number and amount of residential real estate loans extended to low-and moderate-income families compares favorably to the percentage of those families represented in the assessment area.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25.4		17.4		17.3		39.9	
LOANS BY YEAR	% of Number	% of Amount						
2000	0.75%	29.66%	0	0	0	0	0.25%	70.34%
2001	29.41%	14.92%	50.00%	45.72%	8.82%	12.76%	11.76%	26.60%
Cumulative disbursement	34.21%	16.94%	42.11%	36.65%	10.53%	13.80%	13.16%	32.61%

The number and amount of consumer loans extended to low-and moderate-income households compares favorably to the percentage of those households represented in the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses *	90.59%	5.59%
% of Bank Loans in AA #	98.55%	1.45%
% of Bank Loans in AA \$	81.89%	18.11%

* 3.81 Percent of Businesses Did Not Report Revenues

The level of commercial/agricultural loans revealed that a substantial majority was extended to small businesses with annual gross revenues of less than \$1 million per year.

Geographic Distribution of Loans

PVNB reflects a reasonable distribution of loans throughout the assessment area. There are no low-income census tracts in the assessment area.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		10.3%		89.7%		0	
LOANS	% of Number	% of Amount						
	0	0	4.3%	4.3%	95.7%	95.7%		

Residential real estate lending in the moderate-income census tracts is somewhat lower than the percentage of those tracts in the assessment area. However, as discussed above, the bank has a home loan program (Rural First-time Homebuyer Program) designed to help first time homebuyers with the purchase of their first home.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		10.5%		89.5%		0	
LOANS	% of Number	% of Amount						
	0	0	3.1%	2.7%	96.9%	97.3%	0	0

The level of consumer loans reflects a lower percentage of loans extended in moderate-income census tract. However, the moderate-income census tract is located at the eastern edge of the assessment area and only has a relatively small population of only 2,778. Therefore, the lending activity would reasonably be lower in those areas, compared to areas with higher populations in closer proximity to the bank's facilities.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		9.3%		90.7%		0	
LOANS	% of Number	% of Amount						
	0	0	2.2%	0.8%	97.8%	99.2%	0	0

The level of business loans extended in moderate-income census tracts follows the pattern of residential real estate and consumer loans. However, as explained above, the moderate-income census tract is located on the outskirts of the assessment area. Therefore, lending to businesses in that area would not be significant.

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

Fair Lending Review

An analysis of 1997 - 2001 public comments and consumer complaint was performed according to the OCC's risk based fair lending approach. The bank has a good history of complying with anti-discrimination laws. Based on the analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.