



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 14, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Caney Valley National Bank
Charter Number 5349**

**301 W. 4th Avenue
Caney, KS 67333**

**Comptroller of the Currency
Wichita Field Office
3450 North Rock Road Suite 505
Wichita, KS 67226**

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

This institution is rated Satisfactory.

- Caney Valley National Bank's average quarterly loan-to-deposit ratio is reasonable. The bank's average quarterly loan-to-deposit ratio is 65% compared to 54% of all other banks headquartered in the assessment area.
- A majority of the bank's primary loan products have been granted to borrowers in the assessment area. Examiners' loan sample indicated that 98% of the number and 92% of the dollar volume of the loans were made in the assessment area.
- The bank's lending to borrowers of different income levels is good. Overall, the sample of both 1-4 family real estate and consumer loans indicated good penetration to low- and moderate-income borrowers.
- The geographic distribution of the bank's loans reflects a good extension of credit to the moderate-income tracts in the bank's assessment area. Examiners' sample indicated 30% of the number of both 1-4 family real estate and consumer loans, respectively, were made to borrowers in moderate-income tracts in the bank's assessment area.

DESCRIPTION OF INSTITUTION

The Caney Valley National Bank (CVNB) is a \$35 million bank based in Caney, Kansas. CVNB is 100% owned by Caney Valley Bancshares, Inc., a one-bank holding company. CVNB is one of five banks headquartered in the bank's assessment area. The bank's main office also features a drive-through facility. The bank does not have any branches or Automated Teller Machines (ATMs). However, CVNB does offer debit cards to customers for point-of-sale purchases and ATMs. The bank's corporate structure has not changed since the previous CRA examination.

CVNB is a full service bank. The bank offers a variety of loan products, with emphasis on 1-4 family residential real estate, consumer, and agriculture loans. As of September 30, 2001, the bank's \$19 million loan portfolio had the following composition: 36% 1-4 family real estate; 28% agriculture; 25% business and commercial real estate; and 11% consumer loans. Net loans represent 55% of the bank's total assets.

The bank's primary loan products, in terms of number and dollar amount of loans granted since the last CRA examination, are consumer and 1-4 family real estate loans.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs in its communities. CVNB has not opened or closed a branch or ATM since the last CRA examination. At the last CRA examination dated March 1997, we assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes the following: a portion of Montgomery County, Kansas, including the towns 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 towns of Wann, South Coffeyville, and Lenapah. The assessment area is defined by the census tracts, which are shown in the table below (moderate-income tracts are indicated in **bold**):

Cities/Towns	Census Tracts
Kansas:	
Caney	9513
Havana, Tyro, &Dearing	9507
Coffeyville	9508, 9511, & 9512
Sedan, Niotaze & Peru	9946
Oklahoma:	
Copan	10
Dewey	11 & 12
Bartlesville	01 - 09 (02)
Wann & South Coffeyville	9721
Lenapah	9722

Of the 20 census tracts within the bank's assessment area, none are low-income tracts, three (15%) are moderate-income tracts, ten (50%) are middle-income tracts, and seven (35%) are upper-income tracts. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. The 1990 US Census data indicates the population of the assessment area was 68,737, with Bartlesville representing 50% of the total. The statewide non-metropolitan median family income for 2001 is \$43,200 for Kansas and \$34,000 for Oklahoma. The table below shows the income distribution for families within the assessment area:

Distribution of Family Income in Assessment Area		
Income Level	Number	Percentage
Low-income families	3,101	15%
Moderate-income families	2,792	14%
Middle-income families	3,884	19%
Upper-income families	10,367	52%
Total	20,144	100%

Thirteen percent of the households have income below the poverty level, 34% receive social security, and 5% are on public assistance. Other demographic data shows 32% of the population is not in the work force and 18% is over the age of 65.

The median housing value is \$42,016 and 66% of the housing units are owner-occupied. Statewide unemployment in Kansas and Oklahoma has been rising. As of December 2001, unemployment reached 4% in Kansas and 4.5% in Oklahoma. The economic condition of the assessment area remains fairly stable as it is diversified with oil production and related businesses, agriculture, several retail services, and light-to-medium industries. Major employers include Phillips Petroleum Company and Jane Phillips Hospital in Bartlesville, Oklahoma, and Spears Manufacturing Company and Kopco in Caney, Kansas.

Competition in the area is fairly strong. There are five banks, including CVNB, headquartered in the assessment area and six others that maintain branch operations. CVNB is the 4th largest of those headquartered in the assessment area with nearly 4% of the area's deposits as of June 30, 2001.

Examiners contacted one community professional. The contact indicated the credit needs of the community are mainly home, consumer, and business loans. The contact indicated the credit needs of the communities are being met by the lending institutions in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is reasonable, given the competition in the area. The bank's average quarterly loan-to-deposit ratio for the last 12 quarters ended September 30, 2001 was 65% compared to 54% of all other banks headquartered in the assessment area. The bank's loan-to-deposit ratio remained fairly stable over this period. The average quarterly loan-to-deposit ratio for the peer banks ranged from 32% to 68%.

Lending in Assessment Area

A majority of the bank's primary loan products have been granted to borrowers in the assessment area. To determine the distribution, we selected a sample of 40 loans granted since the last CRA examination. The sample consisted of 20 1-4 family real estate and 20 consumer loans. The table below depicts the bank's lending within the assessment area.

Percentage of Sampled Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
98%	92%

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

The bank's overall lending to borrowers of different income levels is good. To determine the bank's level of lending to individual of different income levels, examiners reviewed 20 1-4 family real estate and 20 consumer loans granted since the previous CRA examination. The tables below depict the bank's lending to borrowers of different income levels.

Distribution of 1-4 Family Loans By Borrower Income			
Income Distribution	Number of Loans	Dollar Amount	Demographics for Family Income
Low-income	20%	7%	15%
Moderate-income	25%	24%	14%
Middle-income	25%	21%	19%
Upper-income	30%	48%	52%

The distribution of 1-4 family loans reflects good penetration for both low- and moderate-income borrowers in the assessment area, compared to demographics for family income. Additionally, 10% of the families in the assessment area are below poverty level.

Distribution of Consumer Loans By Borrower Income			
Income Distribution	Number of Loans	Dollar Amount	Demographics for Household Income
Low-income	40%	31%	19%
Moderate-income	10%	3%	13%
Middle-income	30%	18%	17%
Upper-income	20%	48%	51%

The overall distribution of consumer loans to borrowers of different income levels is good. The bank has excellent penetration to low-income borrowers and adequate penetration to moderate-income borrowers in the assessment area, compared to demographics for household income. Additionally, 13% of the households in the assessment area are below poverty level.

Geographic Distribution of Loans

The geographic distribution of the bank's loans reflects a good penetration to moderate-income tracts in the assessment area. To determine the distribution, examiners selected a sample of 20 1-4 family real estate and 20 consumer loans granted since the previous CRA examination. Based on the analysis, 30% of the number and 39% of the dollar amount of 1-4 family real estate loans were made to borrowers in the moderate-income tracts. Demographics indicate owner-occupied housing in the moderate-income tracts represents 13% of the total owner-occupied housing in the assessment area. For the consumer loan sample, the analysis reveals 30% of the number and 21% of the dollar amount of loans were made to borrowers in the moderate-income tracts. Demographics show 13% of the households in the assessment area are located in moderate-income tracts. All of the loans in the sample, which were located in moderate-income tracts, were in Chautauqua County. This moderate-income tract is closest in proximity to the bank. The bank does not have the same level of penetration in other moderate-income tracts located in Coffeyville, Kansas and Bartlesville, Oklahoma. Management stated these areas are farther away from the bank and are served by competing banks with local offices. The bank's assessment area does not arbitrarily exclude low- or moderate-income areas.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA examination.

Fair Lending Review

An analysis of 1997, 1998, 1999, 2000, and 2001 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its 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.