



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**August 16, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

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

**301 W. 4<sup>th</sup> 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.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

- The Caney Valley National Bank's average quarterly loan-to-deposit ratio is adequate. The average quarterly loan-to-deposit ratio since the last CRA examination is 70%, compared to 75% for the nine other similarly situated banks with locations in the assessment area.
- All of The Caney Valley National Bank's primary loan products have been granted in the assessment area. The loan sample indicates 100% of the loans were granted within the assessment area.
- The Caney Valley National Bank demonstrated excellent lending to borrowers of different incomes. The bank granted 35% of the number of consumer loans in the sample to low-income households, and 50% to moderate-income households. Lending to borrowers of different incomes was also excellent in the 1-4 family residential real estate sample as the bank granted 35% of the number of loans to low-income borrowers, and 30% to moderate-income borrowers.
- The bank demonstrated adequate lending to borrowers in different geographic locations. The consumer loan sample indicated 10% by number were granted to borrowers located in moderate-income tracts. The 1-4 family residential real estate sample indicated 5% of loans by number were granted to borrowers located in moderate-income tracts.

## **DESCRIPTION OF INSTITUTION**

The Caney Valley National Bank (CVNB) is a \$44 million bank, headquartered in Caney, Kansas. The bank is 100% owned by Caney Valley Bancshares, Inc., a one-bank holding company. The main location features a drive-through facility, but the bank does not have any branches or Automated Teller Machines (ATMs).

CVNB is a full-service bank offering a variety of loans. Net loans represent 71% of the bank's total assets. As of June 30, 2006, the bank's \$30 million loan portfolio had the following composition: 64% real estate, 13% agricultural, 12% commercial, and 11% individual loans.

The bank's primary lending products, by number and dollar amount, granted since the last CRA examination were consumer loans and 1-4 family residential real estate loans.

The bank's financial condition, size, local economic conditions, and other factors allow it to meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the January 14, 2002 CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's Assessment Area (AA) includes all of Chautauqua County Kansas, and portions of Montgomery County Kansas (census tracts 9513, 9507, 9508, 9511, and 9512), Nowata County Oklahoma (census tract 9721), and Washington County Oklahoma (census tracts 1-12). The 2000 U.S. Census population of the AA was 66,039. The bank's AA is not in a Metropolitan Statistical Area (MSA). The AA complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are five moderate-income tracts in the AA. These tracts are located in Montgomery County Kansas (census tracts 9511 and 9512) and Washington County Oklahoma (census tracts 2, 3 and 9).

The 2005 Housing and Urban Development (HUD) median family income of the AA was \$44,874. The AA has the following income distribution for families: 17% low-income, 17% moderate-income, 21% middle-income, and 45% upper-income. Of the 27,260 households in the AA, 36% receive social security, 12% are below the poverty level, and 3% receive public assistance. Nineteen percent of the population is over the age of sixty-five, and 32% of the population consists of civilians not in the workforce. The median housing value is \$55,586, and 66% of the housing units are owner-occupied. The trade area is primarily dependent on oil, gas and cattle. Larger cities in the AA (Bartlesville, OK and Coffeyville, KS) provide economic diversity in the form of manufacturing, retail, and service industries. Major employers include Phillips Petroleum (Bartlesville, OK), Funk Manufacturing (Coffeyville, KS), and Spears Manufacturing (Caney, KS). The July 2006 unemployment rate for Kansas was 5.0%, and 3.8% for Oklahoma.

Examiners contacted one community professional in the AA. The contact indicated the primary credit need of the community is residential real estate due to the area's housing demand. The contact said that this need is adequately being met by the local financial institutions. The contact also noted that CVNB is extremely involved in the communities in which it serves.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

CVNB's lending level is adequate. The average quarterly loan-to-deposit ratio since the last CRA examination was 70%, as compared to 75% for the nine other similarly situated banks with locations in the AA. The average loan-to-deposit ratios for these banks range from 38% to 105%. The bank's loan-to-deposit ratio has remained relatively stable since the last CRA examination, although it is currently at the highest level of that period. Half of the comparable banks in the AA are located in the larger cities of Bartlesville, OK, Coffeyville, KS, or Independence, KS, which are all approximately twenty miles away from the bank's location.

### **Lending in Assessment Area**

CVNB's lending in its AA is excellent, as it has extended all of its primary loans to borrowers in the AA. Specifically, we found the bank made 100% of the number and 100% of the dollar amount of loans in the AA. The sample included forty loans originated, purchased, or committed

this year or in the prior two years. The sample included twenty loans each from the bank's two primary loan products.

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

CVNB's lending level to borrowers of different incomes and to businesses of different sizes is excellent. To assess the bank's performance, examiners selected a sample of twenty consumer loans, and twenty 1-4 family residential real estate loans from the bank's AA. These loan products represent the primary loan types originated since the last CRA examination.

CVNB's distribution of consumer loans to low- and moderate-income borrowers is excellent. The bank granted 35% of the number of loans in the sample to low-income households; a group that represents only 20% of the total households in the AA. Similarly, the consumer sample showed 50% of the number of loans granted was to moderate-income households as this group represents only 15% of the total households in the AA.

<b>Borrower Distribution of Consumer Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20%	35%	15%	50%	18%	5%	47%	10%

*Source: Loan sample and 2000 U.S. Census Data.*

CVNB's 1-4 family residential real estate lending to borrowers of different incomes is excellent. Lending levels to low-income borrowers is excellent as 35% of the number of loans in the sample were granted to this group; exceeding the 17% of the total AA that is represented by low-income families. Lending to moderate-income borrowers is also excellent. The loan sample revealed the bank granted 30% of the number of loans to the moderate-income group, which makes up only 17% of the total families in the AA.

<b>Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Loan Type	17%	35%	17%	30%	21%	25%	45%	10%

*Source: Loan sample and 2000 U.S. Census Data*

**Geographic Distribution of Loans**

An analysis of the geographic distribution of loans within the AA indicates the bank has adequate penetration of moderate-income areas considering the bank's relative locations and competition in these areas. The bank's AA includes five moderate-income tracts located in Montgomery County Kansas (census tracts 9511 and 9512) and Washington County Oklahoma (census tracts 2, 3 and 9).

CVNB's consumer lending to moderate-income census tracts in the AA is adequate. Ten percent of the loans in the examiner's consumer loan sample were located in the moderate-income tracts. Eighteen percent of the total households in the AA are located within these moderate-income tracts. The bank's penetration of consumer loans in these tracts is low as a result of the financially competitive markets of Bartlesville, OK and Coffeyville, KS.

<b>Geographic Distribution of Consumer Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	18%	10%	45%	70%	37%	20%

*Source: Loan sample and 2000 U.S. Census Data.*

CVNB's 1-4 family residential real estate lending to moderate-income census tracts in the AA is adequate. Five percent of the loans in the examiner's real estate sample were located in the moderate-income tracts. The moderate-income tracts represent 14% of all owner-occupied housing in the AA. While the percentage of loans granted in the moderate-income tracts is low, these tracts are located in the financially competitive markets of Bartlesville, OK and Coffeyville, KS. Loans made in these areas primarily involve existing customers who are former residents of Caney as the bank does not aggressively advertise in these areas.

<b>Geographic Distribution of Residential Real Estate Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	0%	0%	14%	5%	48%	85%	38%	10%

*Source: Loan sample and 2000 U.S. Census Data.*

### **Responses to Complaints**

CVNB has not received any CRA-related complaints since the last CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.