



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 5, 2012**

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

The Pauls Valley National Bank  
Charter Number 7892

101 W. Paul Avenue  
Pauls Valley, Oklahoma 73075-3218

Office of the Comptroller of the Currency

ADC-OKLAHOMA CITY Field Office  
The Harvey Parkway Building 301 NW 63rd Street, Suite 490  
Oklahoma City, OK. 73116-7908

**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 major factors that support this rating include:

- A majority of the loans are made within the assessment area (AA).
- The performance for lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance.
- The loan-to-deposit ratio meets the standard for satisfactory performance.
- The bank is adequately meeting the lending needs of the assessment area.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

**Pauls Valley National Bank is committed to serving the community as demonstrated by the lending performance described in this Public Evaluation.**

**Note: Throughout this evaluation Pauls Valley National Bank will be referred to as “PVNB.”**

## SCOPE OF EXAMINATION

Pauls Valley National Bank (PVNB) was evaluated under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of the assessment area through lending activities. The bank's assessment area was reviewed and includes all census tracts in Garvin and Murray Counties located in south central Oklahoma.

The products sampled include consumer loans, residential real estate loans, and business loans originated in 2010 and 2011. PVNB does not have any offices located in a metropolitan Statistical Area and is therefore not required to complete the Home Mortgage Disclosure Act reporting log.

## DESCRIPTION OF PAULS VALLEY NATIONAL BANK

PVNB is a community bank located in Pauls Valley, Oklahoma. PVNB is entirely owned by Valley Bancshares, Inc. of Pauls Valley, Oklahoma. PVNB's main office is located at 101 West Paul Street in Pauls Valley, Oklahoma. A drive-up facility and a 24-hour automatic teller machine (ATM) are located at 217 West Paul Street. Full service branches and ATMs are located at 101 N. Indian Meridian Road in Pauls Valley, 103 S. Main in Elmore City, and 227 E. Main in Davis. No branch locations have been closed since the previous CRA examination. PVNB's primary focus is to serve commercial and consumer customers in Garvin and Murray Counties. PVNB meets the loan and deposit needs of the local community by providing various loan and deposit products, and other financial services.

As of December 31, 2011, PVNB reported \$214 million in total assets, of which 43 percent is in various types of loans to individuals, businesses, and small farms. At year-end December 2011, PVNB reported the loan totals listed in the table below.

<b>LOAN MIX of PAULS VALLEY NATIONAL BANK as of DECEMBER 31, 2011</b>		
<b>Loan Category</b>	<b>\$Volume</b>	<b>% of Gross Loans</b>
Consumer Loans	26,779	28.81%
Commercial Loans	25,650	27.59%
Residential Real Estate Loans	20,742	22.31%
Commercial Real Estate Loans	12,326	13.26%
Farm Production Loans	3,802	4.09%
Farm Real Estate Loans	2,638	2.84%
Other Loans	1,027	1.10%
<b>Total</b>	<b>92,964</b>	<b>100.00%</b>

Source: 12/31/2011 Call Report Data

There are no legal or financial impediments to PVNB's ability to meet the credit needs of the assessment area. The bank was rated Satisfactory at its last CRA examination dated April 3, 2006.

## DESCRIPTION OF ASSESSMENT AREA

PVNB's assessment area consists of whole geographies and does not reflect illegal discrimination nor arbitrarily exclude low- or moderate-income geographies. All requirements of the CRA regulation are satisfied.

PVNB's assessment area consists of twelve census tracts, as of 2000 Census Data, including all census tracts in Garvin and Murray Counties. The main bank and all branches are located within middle-income census tracts, since all of census tracts in the assessment area are only middle-income. The following table based on 2000 U.S. Census data describes major demographic and economic characteristics of PVNB's assessment area:

<b>Demographic and Economic Characteristics of PVNB's AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
<b>Geographies (Census Tracts)</b>	12	0%	0%	100%	0%
<b>Population by Geography</b>	39,833	0%	0%	100%	0%
<b>Owner-Occupied Housing by Geography</b>	11,737	0%	0%	100%	0%
<b>Businesses by Geography (non-farm)</b>	4,450	0%	0%	100%	0%
<b>Farms by Geography</b>	325	0%	0%	100%	0%
<b>Family Distribution by Income Level</b>	11,278	19.44%	18.97%	22.59%	39.00%
<b>Household Distribution by Income Level</b>	15,924	22.66%	17.07%	18.59%	41.67%
<b>Census Median Family Income (MFI) Non-MSA</b>			<b>Median Housing Value</b>		\$49,374
<b>HUD-Adjusted MFI: 2011</b>		\$48,800	<b>Households Below the Poverty Level</b>		16%
<b>HUD- Adjusted MFI: 2010</b>		\$47,200	<b>Households on Social Security</b>		35%
<b>HUD – Adjusted MFI 2009</b>		\$46,400	<b>Households on Retirement</b>		17%

Source: 2000 U.S. Census Data

The current state of the local economy for the assessment area is characterized as good. The recent economic downturn had little impact on businesses and families in the assessment area. Average unemployment for the area is low at roughly 3 percent compared to the south census region unemployment of 8 percent. Major employers in the area are the Southern Oklahoma Resource Center, Wal-Mart Distribution Center, Pauls Valley General Hospital, and the local school systems. Competition stems from branches of larger financial institutions in Pauls Valley, and other financial institutions located in the surrounding areas.

In conducting the assessment of the bank's performance, a community contact was made with a member of the local business resource organization. This contact indicated that lending needs of the community were being adequately satisfied. The core financial need of the community is to provide banking services including loans to individuals and businesses. Additionally, there is a general need for low- and moderate-income housing. PVNB is actively involved in the community and takes a proactive role in meeting the banking needs of the communities served.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

This Performance Evaluation assesses PVNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate PVNB's lending performance, 30 consumer loans, 30 residential real estate loans, and 30 commercial loans originated in 2010 and 2011 were evaluated. Consumer loans, residential real estate loans, and business loans serve as PVNB's primary loan products. Based on the analysis and consistent with available resources and capabilities, PVNB is meeting the credit needs of the assessment area in a satisfactory manner.

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

PVNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance and is reasonable given the bank's size, financial condition, and assessment area credit needs. The average quarterly LTD ratio is 64 percent for the period ranging from March 31, 2006 through December 31, 2011. Ratios of five similarly situated banks were evaluated over the same period. The quarterly average LTD ratio for the other institutions is 49 percent with a range from 33 percent to 77 percent. The following table shows total assets as of December 31, 2011, and the average LTD ratio for PVNB, as well as, the average LTD ratio of the other five similarly situated banks:

INSTITUTION	ASSETS AS OF 12/31/2011 \$ (000)	AVERAGE LTD RATIO
<b>The Pauls Valley National Bank</b>	214,286	64.16%
The State Bank of Wynnewood	72,218	76.87%
The First National Bank of Lindsay	37,825	47.96%
Farmers and Merchants Bank, Maysville	18,116	48.73%
American Exchange Bank, Lindsay	44,666	36.82%
First State Bank, Elmore City	37,825	33.71%

**Lending in Assessment Area**

PVNB's lending in the assessment area exceeds the standard for satisfactory performance. A substantial majority of the residential real estate loans and business loans were originated in the bank's assessment area. This conclusion is based on the sample of 30 consumer loans, 30 residential real estate loans, and 30 commercial loans originated in 2010 and 2011, as depicted in the following table:

TOTAL LOANS REVIEWED										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	29	96.67%	1	3.33%	30	\$1,380	97.52%	\$35	2.48%	\$1,415
Consumer Loans	23	76.67%	7	23.33%	30	\$183	71.16%	\$74	28.84%	\$257
Commercial Loans	25	83.33%	5	16.67%	30	\$1,731	70.00%	\$742	30.00%	\$2,473
<b>Totals</b>	<b>77</b>	<b>85.56%</b>	<b>13</b>	<b>14.44%</b>	<b>90</b>	<b>\$3,294</b>	<b>79.47%</b>	<b>\$851</b>	<b>20.53%</b>	<b>\$4,145</b>

Source: CRA Wiz, Consumer Loans, Residential Real Estate Loans & Business Loans Sample

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

The distribution of loans reflects a reasonable penetration and meets the standard for satisfactory performance for lending among individuals of different income levels and businesses of different sizes. The following tables represent the distribution of lending based on the 23 consumer loans, 29 residential real estate loans, and 25 commercial loans originated in 2010 and 2011, within PVNB's assessment area:

<b>Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
	% 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
Residential Loans	19%	<b>17%</b>	19%	<b>17%</b>	23%	<b>38%</b>	39%	<b>28%</b>

Source: 2000 U.S. Census Data & Residential Real Estate Loan Sample

PVNB's distribution of residential real estate loans to borrowers of different income levels is reasonable. The number of real estate loans originated to low- and moderate-income borrowers is comparable to the percentage of low- and moderate-income families represented in the assessment area.

<b>Borrower Distribution of Consumer Loans</b>								
Borrower Income Level	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
	% 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
Automobile Loans	23%	<b>9%</b>	17%	<b>17%</b>	19%	<b>17%</b>	41%	<b>57%</b>

Source: 2000 U.S. Census Data & Consumer Loan Sample

PVNB's distribution of consumer loans by income level is satisfactory. The percentage of the number of consumer loans to low-income and moderate-income borrowers is comparable to the percentage of low-income and moderate-income households in the assessment area.

<b>Borrower Distribution of Commercial Loans</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	58%	3%	39%	100%
% of Bank Loans in AA by #	<b>92%</b>	<b>8%</b>	<b>0%</b>	100%
% of Bank Loans in AA by \$	<b>49%</b>	<b>51%</b>	<b>0%</b>	100%

Source: 2000 U.S. Census Data & Commercial Loan Sample

PVNB's distribution of loans to businesses is good. A majority of business loans were originated to small businesses with annual gross revenues of less than \$1 million per year. A large percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown, as reflected in the table above.

### Geographic Distribution of Loans

No analysis of geographic distribution of credit within the assessment area was performed. The AA is comprised entirely of middle-income census tracts. Because PVNB's AA does not include any low- or moderate-income geographies, a review of a geographic distribution of credit would not be meaningful.

### **Responses to Complaints**

There have been no consumer complaints pertaining to PVNB's CRA performance during this evaluation period.

### **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.