



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 28, 2011**

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

Valley National Bank  
Charter Number 17174

4812 East 81st Street  
Tulsa, OK 74137-0000

Office of the Comptroller of the Currency

Assistant Deputy Comptroller Kyle M. Jones  
Eastern Oklahoma Field Office  
Executive Center Building  
7134 South Yale, Suite 910  
Tulsa, OK 74136-6360

**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 substantial majority of the loans sampled were originated within the bank's assessment area.
- The loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and to businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.
- Valley National Bank (VNB), Tulsa, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

## **SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is based largely on 2000 U.S. Census data and 2010 business demographic information. The bank's assessment area was reviewed and included the census tracts in which the bank has its main office, branches and drive-in facility, as well as the surrounding geographies. Products reviewed for VNB included a sample of business loans and all residential real estate loans originated in 2009, 2010 and as of February 28, 2011. VNB offices are located in a Metropolitan Statistical Area, therefore they are required to complete the Home Mortgage Disclosure Act (HMDA) reporting log.

## **DESCRIPTION OF INSTITUTION**

VNB is a community bank located in Tulsa, Oklahoma. The bank is primarily owned by Tulsa Valley Bancshares Corporation, a one-bank holding company. The main bank and a drive-in facility are located at 4812 East 81<sup>st</sup> Street, Tulsa, Oklahoma. Full-service branches and drive-in facilities are located at 2020 East 21<sup>st</sup> Street and 13112 South Memorial Drive, Bixby, Oklahoma. A drive-in facility is located at 10615 East 61<sup>st</sup> Street, Tulsa, Oklahoma. Automated Teller Machines are located at all four locations. Since the previous CRA examination, several changes have taken place. The main bank location was moved across the street, the 61<sup>st</sup> Street full-service branch was converted to a drive-in only facility, a drive-in previously located on Zurich Street was closed and the Bixby location was opened in December 2009. No other locations have been opened or closed since the previous CRA examination.

The bank's primary focus is to serve commercial and consumer customers in Tulsa and the surrounding communities. The bank meets these needs by providing traditional loan and deposit products, as well as Internet Banking with Bill Payment and Cash Management services. The bank operates a Mortgage Loan Department that has mortgage lenders available at the main bank and the Bixby branch. Bank lobby services are provided Monday through Friday. The Drive-ins are open longer hours than the lobbies and are also open on Saturdays until noon. The bank's lending strategy focuses on commercial real estate loans, other commercial loans, and residential real estate loans.

As of December 31, 2010, VNB had total assets of \$219 million, of which \$163 million, or 74 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Portfolio Composition as of December 31, 2010</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	106,174	65%
Commercial Loans	29,578	18%
Residential Real Estate Loans	21,850	14%
Agriculture Loans	3,604	2%
Consumer Loans	1,509	1%
<b>Total</b>	<b>162,715</b>	<b>100%</b>

There are no known legal or financial impediments that would prevent the bank from meeting the credit needs within the assessment area. VNB is involved in and provides support to meet the community's financial needs. The bank received an overall rating of Satisfactory at the last CRA examination dated May 27, 2005.

## DESCRIPTION OF VNB's ASSESSMENT AREA

The assessment area adopted by VNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

VNB's assessment area is identified as all of Tulsa and Wagoner Counties, the southwest portion of Rogers County and the northeast portion of Creek County in northeastern Oklahoma. The assessment area includes 214 contiguous census tracts in the Tulsa, OK Metropolitan Statistical Area. Of these, 7 tracts are considered low-income, 48 tracts are considered moderate-income, 80 tracts are considered middle-income and 79 tracts are considered upper-income tracts. The main bank, the 21<sup>st</sup> Street branch and the 61<sup>st</sup> Street drive-in facility are located in upper-income census tracts in Tulsa County. The Bixby branch is located in a middle-income census tract in Tulsa County. The majority of the census tracts in the assessment area are middle- and upper-income tracts. The following table describes major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

<b>Demographic and Economic Characteristics of Assessment Area</b>	
<i>Population</i>	
Number of Families	182,551
Number of Households	270,197
<i>Geographies</i>	
Number of Census Tracts/BNA	214
% Low-Income Census Tracts/BNA	3.27%
% Moderate-Income Census Tracts/BNA	22.43%
% Middle-Income Census Tracts/BNA	37.38%
% Upper-Income Census Tracts/BNA	36.92%
<i>Median Family Income (MFI)</i>	
2000 MFI for Assessment Area	51,296
2010 HUD-Adjusted MFI	59,300
<i>Economic Indicators</i>	
2000 Median Housing Value	90,532
% of Households Below Poverty Level	10.97%

The total population of the assessment area is 681,819 persons. Although there are only 7 low-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 182,551 families, 19 percent are low-income families and 17 percent are moderate-income families. Of the 270,197 households, 11 percent are below the poverty level. The median housing value is 90,532, with the median age of housing stock at 40 years.

The local economic conditions are stabilizing, with forecasts for improvement. The economy continues to be dependent on several larger diversified oil and gas businesses and to a lesser extent on the aviation industry. In addition to these businesses, the City of Tulsa has several private and public colleges and universities, as well as one of the largest public school systems in the state. The major employers in the area are St. Francis Heart Hospital, St. Francis Hospital, American Airlines Maintenance, and Bank of Oklahoma.

VNB faces strong competition from several other national and state chartered banks and branches of other banks and financial institutions.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate needs of the community are being fulfilled, according to the contact. The contact identified small business loans and minority business loans as needs in the community. The contact stated that area financial institutions are meeting these needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This Performance Evaluation assesses VNB'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 VNB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 29 commercial loans that have originated since January 1, 2009 was selected. All HMDA residential real estate loans originated in 2009, 2010 and as of February 28, 2011 were reviewed and analyzed. Based on the analysis and consistent with available resources and capabilities, VNB is meeting the credit needs of the assessment area in a satisfactory manner.

### Loan-to-Deposit Ratio

VNB's loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standard for satisfactory performance. VNB's average quarterly loan-to-deposit ratio from June 30, 2005 through December 31, 2010 is 96 percent. The average quarterly LTD of the fifty banks chartered in Tulsa, Wagoner, Creek, and Rogers Counties of the AA and the seven surrounding Counties in Oklahoma is 78 percent. The ratios range from a low of 36 percent to a high of 103 percent. The ratios of six similarly situated banks were analyzed over the same time period and are listed in the table below. The quarterly average LTD ratio for this group is 77 percent.

Institution	Assets as of 12/31/2010 \$(000)	Average LTD Ratio
<i>Valley National Bank, Tulsa</i>	<b>\$218,148</b>	<b>96%</b>
Grand Bank, Tulsa	\$217,987	95%
Summit Bank, Tulsa	\$204,066	93%
Tulsa National Bank, Tulsa	\$176,164	89%
The First National Bank and Trust Company of Broken Arrow	\$182,228	71%
Avb Bank, Broken Arrow	\$257,289	67%
American Bank and Trust Company, Tulsa	\$172,417	48%

### Lending in Assessment Area

VNB’s lending in their assessment area exceeds the standard for satisfactory performance. A substantial majority of the residential real estate loans and the business loans sampled were originated in the bank’s assessment area. This conclusion is based on the 261 HMDA residential real estate loans and the sample of 29 business loans that originated in 2009, 2010 and as of February 28, 2011, as depicted in the following table.

<b>TOTAL LOANS REVIEWED</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential Real Estate	241	92%	20	8%	261	42,911	92%	3,732	8%	46,643
Business	27	93%	2	7%	29	5,221	69%	2,385	31%	7,606
<b>Totals</b>	<b>268</b>	<b>92%</b>	<b>22</b>	<b>8%</b>	<b>290</b>	<b>48,132</b>	<b>89%</b>	<b>6,117</b>	<b>11%</b>	<b>54,249</b>

Source: Data reported under HMDA and business loan sample

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

VNB lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the 241 HMDA residential real estate loans and the sample of 27 business loans extended within the assessment area.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76%	5%	19%	100%
% of Bank Loans in AA by #	52%	48%	0%	100%
% of Bank Loans in AA by \$	38%	62%	0%	100%

Source: Dunn and Bradstreet and business loan sample

VNB’s loan distribution to businesses is reasonable. The sample of business loans revealed that a majority of the loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

<b>Borrower Distribution of Residential Real Estate Loans in 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
Residential Real Estate	19%	4%	17%	21%	21%	18%	43%	57%

Source: U.S. Census data and data reported under HMDA



The overall distribution of residential real estate loans to borrowers of different income levels is reasonable. Although the number of real estate loans extended to low-income borrowers is lower than the ratio of low-income families, the number of loans extended to moderate-income borrowers exceeds the ratio of moderate-income families. The low number of low-income borrowers in which the bank has extended residential loans may be attributed to the fact that lower income individuals have fewer resources to enable them to purchase residential real estate.

### Geographic Distribution of Loans

The distribution of residential real estate loans and business loans to geographies of different income levels is reasonable and meets the standard for satisfactory performance. More weight is being given to the geographic distribution of the business loans due to the fact that a majority of the bank’s loans are commercial related loans. The following tables represent the distribution of lending based on the 241 HMDA residential real estate loans and the sample of 27 business loans extended within the assessment area.

<b>Geographic Distribution of Loans to Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	1%	0%	20%	22%	39%	11%	40%	67%

Source: U.S. Census data and business loan sample

Although the business loan sample did not include any loans in the low-income census tracts, the number of business loans extended in the moderate-income census tracts exceeded the percentage of businesses in moderate-income census tracts. Additionally, there are only 7 low-income census tracts in the assessment area that includes 214 census tracts.

<b>Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Real Estate	1%	1%	17%	3%	42%	25%	40%	71%

Source: U.S. Census data and data reported under HMDA

The number of loans extended in the low-income census tracts is more than reasonable. However, the number of loans extended in the moderate-income census tracts do not compare favorably to the owner occupied housing in the moderate-income census tracts. The low penetration of real estate lending in the moderate-income areas can be attributed to several factors. Three of the bank's locations are in upper-income census tracts and the fourth is in a middle-income census tract. A substantial majority of the census tracts surrounding the bank offices are also middle- and upper-income census tracts. The majority of the low- and moderate-income census tracts are around the downtown area, which is in the northwest portion of the assessment area. The bank's 21<sup>st</sup> Street (Utica) location is the closest of the bank's locations to this area, but it is in an upper-income census tract. The other bank locations are much further away and service the south and west sections of the assessment area. The new branch in Bixby is located in a middle-income census tract and has strong competition from a well established local financial institution. The new branch also has a low volume of walk-in traffic.

### **Responses to Complaints**

There have been no consumer complaints pertaining to VNB's CRA performance during the 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.