

PUBLIC DISCLOSURE

April 12, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Valley National Bank
Charter Number 17174**

**8080 South Yale
Tulsa, Oklahoma 74136**

**Office of the Comptroller of the Currency
Southwestern District
Tulsa Field Office
7134 S. Yale, Suite 910
Tulsa, OK. 74136**

NOTE: 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.

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 Community Reinvestment Act (CRA) performance of **Valley National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 12, 2000. 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:

- The vast majority of the bank's loans are made within the assessment area.
- The bank's loan to deposit ratio is very good given the competition and assessment area credit needs.
- There is a reasonable dispersion of loans to borrowers of different income levels and businesses of different sizes.
- There is a reasonable dispersion of loans throughout the assessment area.

Valley National Bank is committed to serving the community in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

Valley National Bank (VNB) is a \$93 million community bank that is located in Tulsa, Oklahoma. The bank operates two full-service locations and a remote drive-in facility. Deposit taking automatic teller machines (ATM's) are available at all locations.

Chartered in 1982, VNB is a subsidiary of Tulsa Valley Bancshares, a one-bank holding company. VNB is affiliated with Bank of the Lakes, N.A., Owasso, Oklahoma and Bank of Jackson Hole, Jackson Hole, Wyoming through common controlling ownership.

VNB's business strategy continues to focus on commercial real estate, construction and land development, commercial, and small business lending. The Board has chosen not to actively compete with numerous large bank and nonbank competitors in its market area for traditional consumer loans. VNB's ratio of net loans to total assets was 78% as of December 31, 1999. The following table depicts an approximate breakdown of the loan portfolio as of December 31, 1999.

Table 1

Loan Type	12/31/99 \$ Volume (000)	% of Average Loans
1-4 Family	7,783	11
Commercial & All Other Real Estate	28,738	39
Construction/Development	8,602	12
Commercial/Industrial	24,847	34
Consumer	2,508	3
Other	666	1
TOTAL	73,144	100

Source: Uniform Bank Performance Report

The last CRA examination of VNB was performed as of February 8, 1996, at which time a "Satisfactory" rating was assigned. The bank is not restricted in its ability to meet community credit needs. There are no legal impediments or other factors preventing the bank from lending in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

VNB has designated its assessment area as the 158 census tracts within the Tulsa County, 7 census tracts within Rogers County, and one census tract within Creek County. The assessment area is fully contained within the Tulsa Metropolitan Statistical Area. The stratification by tract income level is depicted in the following table.

Table 2

Tract Income Level	Count	%
Low	11	7
Moderate	39	23
Middle	69	42
Upper	45	27
NA	2	1
TOTAL	166	100

Source: 1990 Census

The following chart breaks down the assessment area's population by income level.

Table 3

Family Income Level	% Of Total Families
Low	19
Moderate	17
Middle	22
Upper	42
TOTAL	100

Source: 1990 Census

VNB's main office and drive-in facility are located in south central Tulsa in the center of predominantly upper income census tracts. The full service branch is located closer to downtown and is in the Utica Square area. Though adjacent tracts are upper income, there are also low, moderate, and middle income tracts close by. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies.

The 1990 U.S. Census lists the population in the assessment area at 551,777. The updated Housing and Urban Development (HUD) MSA median family income for the area is \$43,700. The median housing value is \$65,115 with 56% of the housing being owner occupied. Approximately 13% of the population lives below the poverty level.

Business activity and conditions in Eastern Oklahoma remain at favorable levels. The Oklahoma Employment Security Commission reported that the jobless rate for the Tulsa metropolitan area was at 3.1% as of January 2000. The National unemployment rate for the same time period was 4.5%. Major employers in the area include AMR Corporation, Pacific Group/Columbia Health Care System, Hillcrest Healthcare System, St. Francis Hospital, St. John Medical Center, Bank of Oklahoma, Boeing

of North America, LDDS Worldcom, ONEOK Inc., and the Williams Companies. The banking environment is extremely competitive. Well in excess of 25 financial institutions are located within the assessment area.

No fewer than nine community contacts have been made over the past eighteen months to help ascertain the credit needs in the assessment area. The primary need indicated by these contacts relates to small business lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To aid in our analysis of lending within the assessment area, lending to borrowers and businesses of different sizes, and the geographic distribution of loans, the bank provided internally prepared reports. These reports reflected loan originations during the evaluation period that *remain* on the books. Also of note, our analysis of commercial loan originations did not include commercial real estate. And finally, residential mortgage loans were analyzed based on the 1996 through 1999 Home Mortgage Disclosure Act Loan Application Registers.

Loan to Deposit Ratio

VNB's loan to deposit ratio is very good given the bank's size, financial condition, and area. The average quarterly loan-to-deposit ratio since the previous examination dated February 8, 1996 is 85%.

The bank's loan-to-deposit ratio as of December 31, 1999 was 87%. This is well above the 73% peer bank average. Furthermore, of the 23 peer banks within the assessment area, only three institutions have a slightly higher ratio.

Lending in Assessment Area

The vast majority of VNB's loans have been made within their assessment area. Based on internal reports, originations within the area equate to 91% by number (588) and 90% by volume (\$105 million) of total originations.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

VNB's lending pattern reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. Because the majority of lending performed by VNB is business related, more emphasis was placed on the distribution of loans to businesses when determining the overall rating.

Commercial Loans

The bank is meeting the credit needs of small businesses within the community. This was the most pressing need identified by several community contacts. By definition, small businesses are those with annual revenues of less than \$1 million. The following table illustrates by revenue, the number of commercial loans originated since the previous examination. Almost half of the bank's originations have been to small businesses.

Table 4

Business Revenue	Commercial Loan Originations w/in the Assessment Area		Aggregate % of Businesses within Assessment Area
	Number	Percent	
< = \$1,000,000	133	47	72
Over \$1,000,000	152	53	10
TOTAL	285	100	100*

Source: Internal Bank Reports, 1999 D&B Business Demographic Data

* 18% do not report revenue

Residential Mortgage Loans

The distribution of residential mortgage loans to borrowers of different income levels is reasonable given the bank's size, characteristics and business strategy. The bank acted as agent for a significant number of residential mortgage loan originations through its mortgage brokerage department. In 1997, 1998, and 1999, the bank facilitated the origination of 292 loans totaling \$46 million. These loans are not funded by the bank and are not disclosed on the Home Mortgage Disclosure Act Loan Application Register. The limited number of loans the bank originates and funds is illustrated in the following table. Their dispersion by borrower income level reflects the demographics surrounding the bank's three locations.

Table 5

Distribution of Mortgage Loans to Borrowers of Different Income Levels					
Income Designation of the Borrower*	Number of Loans	Percent of Loans	Dollar Amount of Loans	Percent of Dollar Volume of Loans	Percent of Families in the Assessment Area
Low-Income	4	3%	\$49	1%	19%
Moderate-Income	7	5%	\$322	2%	17%
Middle-Income	10	7%	\$447	3%	22%
Upper-Income	104	74%	\$10,566	74%	42%
Not Available	16	11%	\$2,924	20%	
TOTAL	141	100%	\$14,308	100%	100%

Source: Home Mortgage Disclosure Act Loan Application Register

*Note: Income Designation of the borrower is based on the 1999 MSA U.S. Census Updated Median Family Income of \$43,700

Consumer Loans

The distribution of consumer loans to borrowers of different income levels is considered reasonable given the bank's size, characteristics, and business strategy. As indicated earlier, VNB's Board and management have chosen not to actively compete with the numerous large bank and nonbank competitors for traditional consumer loans. As the table illustrates, dispersion by borrower income

level resembles the demographics surrounding each of VNB's locations. The table also reveals the lower emphasis placed on consumer lending.

Table 6

Distribution of Consumer Loans to Borrowers of Different Income Levels					
Income Designation of the Borrower*	Number of Loans	Percent of Loans	Dollar Amount of Loans	Percent of Dollar Volume of Loans	Percent of Families in the Assessment Area
Low-Income	9	6%	\$89	3%	19%
Moderate-Income	16	11%	\$151	6%	17%
Middle-Income	20	14%	\$201	8%	22%
Upper-Income	85	59%	\$1,763	69%	42%
Not Available	15	10%	\$355	14%	
TOTAL	145	100%	\$2,559	100%	100%

Source: Internal Bank Reports

*Note: Income Designation of the borrower is based on the 1999 MSA U.S. Census Updated Median Family Income of \$43,700

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable penetration throughout the assessment area. As previously noted, because the majority of lending performed by VNB is business related, more emphasis was placed on the distribution of this type of loan when determining the overall rating.

Commercial Loans

The geographic distribution of business loans reflects a good dispersion throughout the assessment area. Loans to businesses were made across low, moderate, middle, and upper income geographies and are reflective of the area's demographics. The following table more clearly illustrates this point.

Table 7

Geographic Distribution of Commercial Loans by Census Tract Income Level					
Income Designation of Census Tract*	Number of Loans	Percent of the Loans	Dollar Amount of Loans (000)	Percent of Dollar Volume of Loans	Percent of Tracts in the Assessment Area
Low-Income	36	13%	\$4,762	6%	7%
Moderate-Income	61	21%	\$22,303	28%	23%
Middle-Income	124	44%	\$35,237	44%	42%
Upper-Income	64	22%	\$17,947	22%	27%
Not Applicable					1%
TOTAL	285	100%	\$80,249	100%	100%

Source: Internal Bank Reports

*Note: Income Designation of the census tract borrower is based on the 1999 MSA U.S. Census Median Family Income of \$32,578

Residential Mortgage Loans

The geographic distribution of residential mortgage loans is reasonable. The limited number of loans the bank originates and funds is illustrated in the following table. Their geographic dispersion also reflects the demographics surrounding the bank's three locations.

Table 9

Geographic Distribution of Residential Mortgage Loans by Census Tract Income Level					
Income Designation of Census Tract*	Number of Loans	Percent of Loans	Dollar Amount of Loans (000)	Percent of Dollar Volume of Loans	Percent of Tracts in the Assessment Area
Low-Income	3	2%	\$66	1%	7%
Moderate-Income	12	9%	\$625	4%	23%
Middle-Income	28	20%	\$2,884	20%	42%
Upper-Income	98	70%	\$10,733	75%	27%
Not Applicable					1%
TOTAL	141	100%	\$14,308	100%	100%

Source: 1996, 1997, 1998, and 1999 Home Mortgage Disclosure Act Loan Application Register

*Note: Income Designation of the census tract borrower is based on the 1999 MSA U.S. Census Median Family Income of \$32,578

Consumer Loans

The geographic distribution of consumer loans is considered reasonable given the lack of emphasis on this type of lending. As the table illustrates, the geographic dispersion of consumer loans resembles the demographics surrounding each of VNB's locations.

Table 8

Geographic Distribution of Consumer Loans by Census Tract Income Level					
Income Designation of Census Tract*	Number of Loans	Percent of Loans	Dollar Amount of Loans (000)	Percent of Dollar Volume of Loans	Percent of Tracts in the Assessment Area
Low-Income	1	1%	\$4	0%	7%
Moderate-Income	13	9%	\$103	4%	23%
Middle-Income	36	25%	\$628	25%	42%
Upper-Income	95	65%	\$1,824	71%	27%
Not Applicable					1%
TOTAL	145	100%	\$2,559	100%	100%

Source: Internal Bank Reports

*Note: Income Designation of the borrower is based on the 1999 MSA U.S. Census Median Family Income of \$32,578

Community Development Lending

During the evaluation period, VNB has taken the opportunity to participate in at least three community development related loans. The first involves the construction of a single family dwelling in the historic Brady Heights district located in a moderate income census tract. VNB's \$35 thousand participation in a \$140 thousand home construction loan enabled the first new house to be built in several years and contributed to the revitalization of the neighborhood. VNB waived the interest on their portion of the loan.

VNB also funded two loans totaling \$620 thousand to refinance and remodel an apartment complex in a moderate income census tract. In addition, VNB funded loans totaling \$100 thousand to purchase and refurbish condominiums in the same tract. Both of these ventures helped to provide affordable housing to low and moderate income individuals.

Response to Complaints

No Complaints have been received regarding the bank's CRA performance since the last examination.

Record of Compliance with Antidiscrimination Laws

A concurrent fair lending examination was performed comparing denied single female used car loan applications to approved single male used car applications. The review did not identify any evidence of prohibited discriminatory practices. We did not identify any violations involving illegal discrimination or any practices intended to discourage applicants applying for credit.