



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 22, 2002**

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

**Conway Bank, National Association  
Charter Number 8467**

**124 West Spring Avenue  
Conway Springs, KS 67031**

**Comptroller of the Currency  
Assistant Deputy Comptroller C. Scott Schainost  
Wichita Field Office  
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**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.**

- Conway Bank's average quarterly loan-to-deposit ratio of 98% is excellent, compared to the average of 76% for the peer bank group.
- Lending volume is satisfactory as Conway Bank grants a majority of its primary loan products in the assessment area. The examiner's loan sample indicates the bank makes 62% of the number, and 77% of the dollar volume in the assessment areas.
- Conway Bank demonstrates satisfactory lending levels to low- and moderate-income borrowers and to businesses of different sizes. The lending performance for the primary products analyzed range from satisfactory to good. The lending performance in the Wichita MSA is satisfactory while the lending performance in the non-MSA is good.
- The geographic distribution of loans is satisfactory. Loan distribution to low- and moderate-income tracts in the Wichita Downtown assessment area is satisfactory. Although loan samples do not contain any loans in the low-income tract, examiners consider the bank's performance acceptable due to the limited opportunity to provide the sampled loan products in the low-income tracts.

## **DESCRIPTION OF INSTITUTION**

Conway Bank, National Association (Conway Bank), is a \$114 million bank headquartered in Conway Springs, Kansas. In addition to its main office, Conway Bank has a branch in Norwich and two branches in Wichita, Kansas. Conway Bank opened the second Wichita branch in May 2002. Each branch has a drive-up facility and only the Wichita branches feature cash dispensing automatic teller machines (ATMs). Conway Bank operates another cash dispensing ATM at General Station convenience store in Viola, Kansas. Conway Bank is a wholly owned subsidiary of Norcon Financial Corp., a one-bank holding company headquartered in Conway Springs. The holding company has total assets of \$10 million as of December 31, 2001. Conway Bank does not have any significant changes in the corporate structure since the last CRA exam.

Conway Bank is a full-service bank offering a variety of loans. Net loans represent 80% of the bank's total assets. As of March 31, 2002, Conway Bank's \$91 million loan portfolio has the following composition: Agricultural 41%; commercial & industrial 18%; 1-4 family residential 18%; construction & development 17%; and consumer 5%.

Management indicates the primary loan products, by number and dollar volume granted in Conway-Norwich assessment area (AA) during 2001 and first half 2002, are agricultural and consumer automobile. The primary loan products in the Wichita Downtown AA, within the same period, are commercial real estate and residential real estate construction. This report does not include a determination of the primary loan products for the Wichita East AA. Conway Bank has one branch office in the Wichita East AA, which has been in operation for only two months. Examiners determine the limited number of loans originated at the Wichita east branch provides insufficient data to reliably determine the primary loan products.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment areas. At the January 23, 1998 examination, examiners assigned a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREAS**

Conway Bank has three assessment areas. Two of the AAs (Wichita Downtown and Wichita East) are part of the Wichita Metropolitan Statistical Area (MSA). The other AA (Conway-Norwich AA) is a non-MSA, and comprises of Harper, Kingman and Sumner Counties. The AAs comply with the regulation and do not arbitrarily exclude any low- or moderate-income areas.

### **Wichita Downtown AA – Wichita MSA**

The Wichita Downtown AA includes Downtown Wichita, and four other smaller towns in the western part of Sedgwick County: Clearwater, Viola, Cheney and Garden Plain. The AA consists of 31 census tracts, which include 15, 26 – 29, 41, 43, 89, 90, 92, 93.01, 93.02, 94.01, 94.02, 95.00 - 95.13, 96, 106, and 107. One of the tracts (3%) is a low-income, 7 tracts (23%) are moderate-income, 6 tracts (19%) are middle-income, and 17 tracts (55%) upper-income tracts. The 1990 US census data shows the AA has a population of 79,329. The 1990 decennial

median family income in the MSA is \$35,931 and the median family income for 2001 is \$59,000.

The AA has the following income distribution for families:

<b>Distribution of Family Income in Wichita Downtown Assessment Area</b>	
<b>Income Level</b>	<b>Percentage</b>
<b>Low-income Families</b>	14
<b>Moderate-income Families</b>	16
<b>Middle-income Families</b>	23
<b>Upper-income Families</b>	47

Nine percent of the households have income below the poverty level, 20% receive social security, and 4% are on public assistance. Twenty percent of the population is not in the work force and 10% is over the age of 65. The median housing value is \$61,884 and 60% of the housing units are owner-occupied.

### **Wichita East AA -Wichita MSA**

The AA consists of seven middle- and upper-income tracts in east Wichita (70, 71, 72.01, 73.01, 73.02, 74 and 101.01). Three of the tracts (43%) are middle-income tracts and 4 tracts (57%) are upper-income. The AA does not have any low- or moderate-income tracts. The 1990 US census data indicates the AA has a population of 33,003. The decennial and Kansas median family income in the MSA is the same as the Wichita Downtown AA described above. The AA has the following income distribution for families:

<b>Distribution of Family Income in Wichita East Assessment Area</b>	
<b>Income Level</b>	<b>Percentage</b>
<b>Low-income Families</b>	9
<b>Moderate-income Families</b>	13
<b>Middle-income Families</b>	20
<b>Upper-income Families</b>	58

Five percent of the households have income below the poverty level, 18% receive social security, and 2% are on public assistance. Twenty percent of the population is not in the work force and 10% is over the age of 65. The median housing value is \$98,360 and 49% of the housing units are owner-occupied.

Forty-nine other financial institutions have offices in the Wichita MSA. Conway Bank ranks 35<sup>th</sup> in market share with 0.23% of the area deposits. We selected 17 of these institutions as peer banks for two main reasons: The majority of the deposits originate from the area, or management considers them competition, though some have offices which are located outside the AAs in the Wichita MSA. Two of the peer banks are also in the non-MSA peer group. The asset size of the 17 peer banks ranges from \$36 million to \$2.5 billion, with Conway Bank ranking 12<sup>th</sup> in asset size.

Examiners made two community contacts in the Wichita MSA. The contacts indicate commercial and consumer-related loans are the primary credit needs in the bank's AAs. The contacts also believes the area banks are meeting these needs.

The Wichita MSA has a strong manufacturing base with four aircraft manufacturers, a major camping supply manufacturer, and a chemical manufacturer. They include Boeing, Cessna, Raytheon, and Bombardier-Learjet Aircraft Companies, The Coleman Company, and Vulcan Chemicals. The Wichita MSA also has a diverse retail trade, services, local schools, hospitals and local governments. Despite downsizing at local aircraft and related companies, the economy of the MSA is stable, compared to national level. The Wichita MSA unemployment rate for May 2002 is 5.3 percent, compared to 5.8% nationwide.

**Conway-Norwich AA – Non-MSA**

The non-MSA AA consist of the following block numbering areas (BNAs) 9911 – 9913 in Sumner County, 9916 – 9918 in Harper County, and 9921 – 9926 in Kingman County. Nine of the BNAs (75%) are middle-income, and 3 BNAs (25%) are upper-income tracts. The AA does not contain any low- or moderate-income tracts. The AA has a population of 41,257, and a median family income for 2001 of \$43,200. The AA has the following income distribution for families:

<b>Distribution of Family Income in Conway-Norwich Assessment Area</b>	
<b>Income Level</b>	<b>Percentage</b>
<b>Low-income Families</b>	15
<b>Moderate-income families</b>	17
<b>Middle-income Families</b>	25
<b>Upper-income Families</b>	43

Eleven percent of the households have incomes below the poverty level, 36% receive social security, and 5% are on public assistance. Twenty-nine percent of the population is not in the work force and 19% are over the age of 65.

The median housing value is \$36,068 and 67% of the housing units are owner-occupied. The economy is stable. The area is dependent on agriculture, mainly wheat, milo and cattle. A significant number of residents also work for aircraft companies in Wichita and some have been affected by the downsizing noted above. The major employers in the AA are local schools, government, and Farrar Manufacturing. The Kansas unemployment rate for June 2002 is 4.4%.

Nineteen other financial institutions have offices in this AA. We selected 14 of these institutions as peer banks as the majority of their deposits originate from the area, or management considers them competition. Two of these banks are also identified in the MSA peer group. The asset size of the 14 peer banks ranged from \$11 million to \$114 million, with Conway Bank ranking 1st. Conway Bank ranks 2<sup>nd</sup> in market share with 11% of the area deposits.

Examiners contacted one community organization in the area. The contact indicates agricultural, 1-4 family real estate, and consumer loans are the primary credit needs in the community. The contact also believes the area banks are meeting these needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

Conway Bank's lending level is excellent. The average quarterly loan-to-deposit ratio the past 12 quarters ending March 31, 2002, is 98%, which is well above the average ratio for the peer banks. We selected 31 banks as a peer group, including those management consider competition, as well as, other banks that obtain the majority of deposits from the AAs. The average quarterly loan-to-deposit ratio over the same period for the peer group is 76%. The average quarterly ratios for this group ranged from 45% to 96%.

### **Lending in Assessment Area**

Conway Bank's lending in its AAs is satisfactory as it extends a majority of its primary loan products in the AAs. To determine the loan distribution, examiners selected a sample of 20 commercial real estate and residential real estate construction loans granted during 2001 and first half of 2002. Examiners also selected 20 agricultural and consumer automobile loans granted within the same time period. The sample does not include loans from the Wichita East AA for the reasons noted in the description of the institution. The table below depicts Conway Bank's lending in the AAs.

<b>Percentage of Sample Loans Granted Within the Assessment Areas</b>	
<b>Percentage By Number</b>	<b>Percentage By Dollar</b>
62	77

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

Lending to borrowers of different incomes and farms and businesses of different sizes is satisfactory. The distribution within the AAs ranges from satisfactory to good. This report does not include an analysis of the Wichita East AA for the reasons noted in the description of the institution. Examiners did analyze a sample of the loan products noted above, as those represent the majority of loans originated during 2001 and first half of 2002.

### **Wichita MSA AAs**

Lending to borrowers of different incomes in the Wichita MSA is satisfactory. The distribution for each loan product analyzed is satisfactory. Examiners selected a sample of 17 commercial real estate and 20 residential real estate construction loans granted during 2001 and first half of

2002. This report does not include an analysis of the Wichita East AA for the reasons noted in the description of the institution. Community contacts identified commercial and consumer loans as the primary credit needs in the MSA.

### **Wichita Downtown AA**

Lending to businesses of different sizes for commercial real estate in the Wichita MSA is satisfactory. Fifty-three percent of the loans in our sample are granted to businesses with annual gross revenues of less than \$1 million, which is below the demographics. The Dunn & Bradstreet demographic data for 2001 indicates 84% of the businesses in the area have annual gross revenues of less than \$1 million. Conway Bank’s performance is below the demographic; however, examiners consider the performance acceptable. A majority of businesses in the AA with revenue less than \$1 million lease the property in which they operate. This impedes the opportunity of lending for commercial real estate purposes. The table below depicts Conway Bank’s lending performance:

<b>Sample of Commercial Real Estate Loans Granted in Wichita Downtown AA</b>		
<b>Annual Gross Revenue</b>	<b>Percentage of Number</b>	<b>Percentage of Dollar</b>
<b>Less than \$100,000</b>	12	9
<b>\$100,000 - \$250,000</b>	17	16
<b>\$250,001 - \$500,000</b>	12	20
<b>\$500,001 - \$1,000,000</b>	12	6
<b>Over \$1,000,000</b>	47	49
<b>Total</b>	100	100

Lending to businesses for residential real estate construction in the Wichita MSA is satisfactory. Sixty percent of the residential real estate construction loans in the sample are to businesses with annual gross revenue of less than \$1 million. The Dunn & Bradstreet demographic data for 2001 indicates 84% of the businesses in the area have annual gross revenue of less than \$1 million. Conway Bank’s performance is below the demographic; however, examiners consider the performance acceptable. Our primary product is residential real estate construction loans to homebuilders, which typically have higher revenue. Our sample is skewed to businesses with revenues above \$1 million. The table below shows the bank’s lending performance:

<b>Sample of Residential Real Estate Construction Loans Granted in Wichita Downtown AA</b>		
<b>Annual Gross Revenues</b>	<b>Percentage of Number</b>	<b>Percentage of Dollar</b>
<b>Less than \$100,000</b>	30	17
<b>\$100,000 - \$250,000</b>	10	8
<b>\$250,001 - \$500,000</b>	5	8
<b>\$500,001 - \$1,000,000</b>	15	12
<b>Over \$1,000,000</b>	40	55
<b>Total</b>	100	100



## Conway-Norwich AA

Lending volumes to borrowers of different income levels and farms of different sizes in the Conway-Norwich AA is good. The distribution for each loan product analyzed is satisfactory or good. Examiners selected a sample of 20 agricultural, and consumer automobile loans granted in the Conway-Norwich AA during 2001 and first half of 2002. The community contact identified agricultural, 1-4 family real estate, and consumer purpose loans as the credit needs in the community.

Lending volumes to farms of different sizes in the Conway-Norwich AA is good. All the loans in our agricultural loan sample are to farms with annual gross revenues below \$1 million. The Dun & Bradstreet 2001 business demographic data indicates that 98% of the farms in the AA have annual gross revenues of less than \$1 million. The following table depicts the bank's lending performance.

<b>Sample of Agricultural Loans in Conway-Norwich AA - Non MSA</b>		
<b>Annual Gross Farm Revenues</b>	<b>Percentage of Number</b>	<b>Percentage of Dollar</b>
<b>Less than \$50,000</b>	45	26
<b>\$50,000 - \$100,000</b>	15	5
<b>\$100,001 - \$500,000</b>	20	33
<b>\$500,001 - \$1,000,000</b>	20	36
<b>Over \$1,000,000</b>	0	0
<b>Total</b>	100	100

Lending to borrowers of different income levels for consumer automobile loans is satisfactory. The following table indicates the bank's lending to low- and moderate-income borrowers is satisfactory, compared to the household demographics.

<b>Sample of Consumer Auto Loans in Conway-Norwich - Non MSA</b>			
<b>Borrower Income Level</b>	<b>Percentage of Number</b>	<b>Percentage of Dollar</b>	<b>Households in Income Category</b>
<b>Low-income</b>	30	21	22
<b>Moderate-income</b>	25	15	15
<b>Middle-income</b>	20	9	19
<b>Upper-income</b>	25	55	44
<b>Total</b>	100	100	100

## Geographic Distribution of Loans

The geographic distribution of Conway Bank's loans in the Wichita Downtown AA is satisfactory. Examiners analyzed a sample of 17 commercial real estate and 20 residential real estate construction loans granted during 2001 and first half 2002, as those are the bank's primary

loan products in the AA. The bank’s lending in the moderate-income tracts is satisfactory. The sample does not contain any loans in the low-income tract; however, examiners consider the performance to be satisfactory. Conway Bank has limited opportunities to grant commercial real estate and residential real estate construction loans in the low-income tract. Conway Bank’s Wichita East AA and the Conway-Norwich AA do not contain any low- or moderate-income tracts.

**Wichita Downtown AA - Wichita MSA**

Geographic distribution of commercial real estate loans within the Wichita Downtown AA is satisfactory. Examiners analyzed a sample of 17 commercial real estate loans granted during 2001 and first half of 2002. The sample indicates lending in the moderate-income tracts is satisfactory as it mirrored the demographics. The sample does not contain any commercial real estate loans in the low-income tract; however, examiners consider the performance acceptable. Conway Bank has one low-income tract within the Wichita Downtown AA. The low-income tract demographic indicates only eight percent of AA businesses are in the low-income tract. The low percentage of AA businesses in the tract, combined with strong competition, limits the lending opportunities in this area. The table below depicts the distribution of the bank’s AA commercial real estate loans in the low- and moderate-income tracts.

<b>Sample of Commercial Real Estate Loans in Wichita Downtown AA - Wichita MSA</b>		
	<b>Low-Income Tract</b>	<b>Moderate-Income Tracts</b>
<b>Percentage of Number</b>	<b>0</b>	<b>41</b>
<b>Percentage of Dollar</b>	<b>0</b>	<b>29</b>
<b>Percentage of AA Businesses in Tracts</b>	<b>8</b>	<b>39</b>

Geographic distribution of residential real estate construction loans within the Wichita Downtown AA is satisfactory. Lending in the moderate-income tracts is below the demographics. The sample does not contain any residential real estate construction loans in the low-income tract; however, examiners consider the performance acceptable. Lack of new construction in both the low- and moderate-income tracts, limits lending opportunities in these tracts. The table below depicts the distribution of the bank’s AA residential real estate construction loans in the low- and moderate-income tracts.

<b>Sample of Residential Real Estate Construction Loans in Wichita Downtown AA - Wichita MSA</b>		
	<b>Low-income Tract</b>	<b>Moderate-income Tracts</b>
<b>Percentage of Number</b>	<b>0</b>	<b>5</b>
<b>Percentage of Dollar</b>	<b>0</b>	<b>2</b>
<b>Percentage of AA Businesses in Tracts</b>	<b>8</b>	<b>39</b>

## **Responses to Complaints**

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

## **Fair Lending Review**

An analysis of 1998, 1999, 2000, 2001 and year-to-date 2002 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 1998.