



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Condon National Bank of Coffeyville
Charter Number 6797**

**814 Walnut Street
Coffeyville, Kansas 67337**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226-1327**

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 **The Condon National Bank of Coffeyville** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 30, 1998. 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 "Needs to Improve".

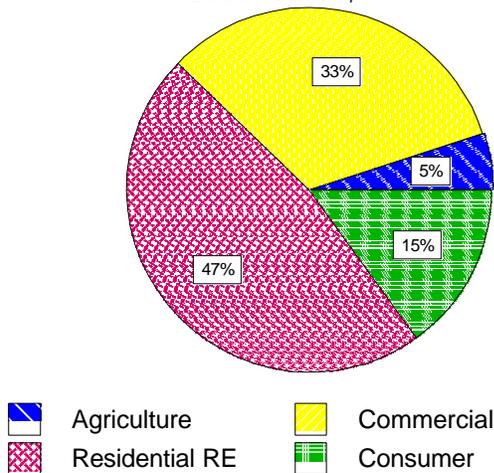
The bank's lending levels do not meet the standards for satisfactory CRA performance. The institution's loan-to-deposit ratio is well below the average of other banks in the assessment area. Loan personnel have made a substantial majority of loans within the bank's assessment area. The bank has a satisfactory record of lending to businesses of different sizes and borrowers of different income levels.

DESCRIPTION OF INSTITUTION

The Condon National Bank of Coffeyville (CNB) is a \$72 million bank located in Coffeyville, Kansas. The bank maintains the main office and one branch with an automated teller machine in Coffeyville, KS. Coffeyville Financial Corporation, a one-bank holding company, owns 98.2% of the bank.

Loan Portfolio Composition

December 31, 1997



As of December 31, 1997, the bank's \$27 million loan portfolio had the following composition: 47% residential real estate, 33% commercial, 15% consumer, and 5% agricultural and farmland.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. The bank has not opened or closed any branches since the prior CRA examination. The bank opened and closed a Loan Production Office in Independence, KS during 1997. At the April 17, 1996, examination we assigned a "Needs to Improve Record of Meeting Community Credit Needs".

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area comprises all of Montgomery County in Kansas, one tract in Labette County, Kansas, and two tracts in Nowata County, Oklahoma. The Kansas and Oklahoma tracts have a population of 41,123 and 3,668, respectively. The bank's assessment area is not in a Metropolitan Statistical Area. The bank revised its assessment area during the examination.

Montgomery County contains block numbering areas (BNAs) 9501 through 9513. Four of these tracts are moderate-income tracts, seven middle-income, and two upper-income. Labette County contains BNA 9506, a middle-income tract. Nowata County contains BNAs 9721 and 9722. Both are middle-income tracts. Kansas and Oklahoma statewide non-metropolitan median family income for 1997 is \$36,100 and \$30,800, respectively. The assessment area does not arbitrarily exclude any low- or moderate-income areas. The assessment area has the following income distribution:

Distribution Of Family Income In Assessment Area		
	Kansas Counties	Oklahoma Counties
Low-income Families	20%	20%
Moderate-income Families	19%	21%
Middle-income Families	24%	20%
Upper-income Families	37%	39%

The trade area has a diversified economy based upon manufacturing, energy, retail, and agriculture. Other major employers in these areas include community colleges, school districts, and medical facilities. Area economic conditions are good. Six financial institutions headquartered in the assessment area, one bank branch, seven credit unions, and one savings and loan provide strong competition for CNB.

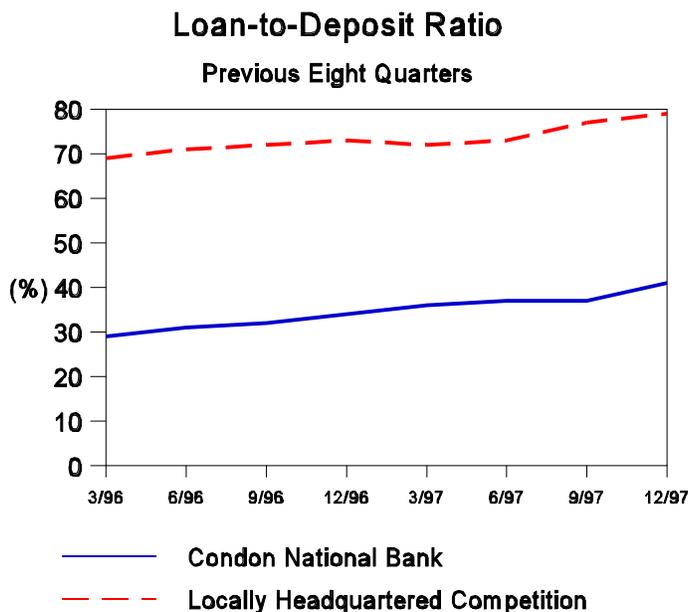
Examiners contacted two local business professionals. The contacts indicated the primary need of the area is residential real estate lending. The contacts also indicated the local financial institutions are adequately meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is low, but improving with an average loan-to-deposit ratio of 34% during the last eight quarters. The average loan-to-deposit ratio over the last eight quarters for the six competition banks headquartered in the bank's assessment area is 73%. Average loan-to-deposit ratios for these six banks range from 60% to 88%.

The bank experienced strong loan growth in 1996 and 1997 of 11% and 26%, respectively. However, the six banks headquartered in the assessment area also experienced average loan growth in 1996 and 1997 of 15% and 12%, respectively.



CNB is the second largest banking office in the assessment area. The bank accounted for \$65 million, or 13% of Montgomery County's total deposits as of June 30, 1997.

Lending in Assessment Area

The bank's financing inside the assessment area is good. Examiners reviewed all new loans for the previous eleven months. The following table depicts the new loan distribution by number and dollar amount.

Percentage of New Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
91%	81%

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

Lending to borrowers of different income levels is satisfactory. Examiners selected a sample of 66 consumer real estate loans for 1996 and 58 consumer real estate loans for 1997. Loans granted to low- and moderate-income borrowers in Kansas in 1996 were low compared to the percent of families in each income category. However, loans granted to low- and moderate-income borrowers improved in 1997 and now compare favorably to the demographic composition of low- and moderate-income families. Loans granted to low-income borrowers in Oklahoma during 1996 were low compared to the percent of families in the income category. During 1997, the bank improved its lending to low-income levels; however, the bank did not have any loans to moderate-income borrowers. The two graphs on the following page show a breakdown of CNB's consumer real estate loans by income level and by state.

Distribution of Consumer Real Estate Loans by Income Levels for Kansas					
Income Levels	Consumer Real Estate Loan Sample				Percent of Families in Income Category
	1996 Number	Percent	1997 Number	Percent	
Low	7	12%	11	21%	20%
Moderate	5	9%	9	17%	19%
Middle	12	21%	12	24%	24%
Upper	33	58%	20	38%	37%

Distribution of Consumer Real Estate Loans by Income Levels for Oklahoma					
Income Levels	Consumer Real Estate Loan Sample				Percent of Families in Income Category
	1996 Number	Percent	1997 Number	Percent	
Low	1	11%	1	17%	20%
Moderate	2	22%	0	0%	21%
Middle	2	22%	1	17%	20%
Upper	4	45%	4	66%	39%

Lending to commercial businesses of different sizes is good. Examiners sampled 18 loans made during the last eleven months. Management considers six of these borrowers as large operations. The following table illustrates CNB's lending to businesses of different sizes.

Gross Annual Revenue Distribution for Businesses	
\$0 to \$100,000	3
100,001 to \$300,000	3
\$300,001 to 500,000	4
\$500,001 to \$1,000,000	2
\$1,000,001 and above	6

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the assessment area indicates the bank has reasonable penetration of the tracts in Montgomery County, including the four moderate-income tracts. Bank reports indicate lending personnel have made 110 loans in these moderate-income tracts which represent 12% of the loans made in the last eleven months. A review of the loan distribution in the remaining nine Montgomery tracts and the Labette and Nowata tracts would not be meaningful since the tracts in the bank's assessment area are middle or upper-income.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of anti-discrimination laws and regulations. Examiners did not find any evidence of disparate treatment.

Response to Complaints

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