



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 09, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Condon National Bank Of Coffeyville
Charter Number 6797
814 Walnut Street
Coffeyville, KS 67337**

**Comptroller of the Currency
Wichita Field Office
3450 North Rock Road Suite 505
Wichita, KS 67226**

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 **Condon National Bank Of Coffeyville, Coffeyville, KS** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **April 09, 2001**. 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.

Condon National Bank achieved reasonable lending penetration of the moderate-income tracts in its assessment area, especially the two moderate-income tracts close to the bank. Consumer lending in those tracts mirrored the percentage of population in these tracts. The bank achieved this performance even though the tracts have a high level of poverty, which hinders the ability of borrowers to qualify for loans.

Lending to borrowers of different incomes and to businesses of different sizes compare favorably to the demographics of the assessment area.

The bank's average loan-to-deposit ratio is much lower than other banks in the area. CNB is the depository of local public funds. This large volume of public deposits negatively impacts the bank's ratio. Without the public funds the bank's loan-to-deposit ratio would be at the lower end of the ratios for the area banks.

DESCRIPTION OF INSTITUTION

The Condon National Bank of Coffeyville (CNB) is a \$94 million intrastate bank located in Coffeyville, Kansas. Coffeyville is in the southeast part of Kansas. The bank maintains the main office and one branch with an automated teller machine (ATM) in Coffeyville, KS. Coffeyville Financial Corporation, a \$7 million one-bank holding company in Coffeyville, owns 98.6% of the bank.

CNB is a full-service bank offering a variety of loans. Net loans represent 44% of the bank's total assets. As of December 31, 2000, the bank's \$40 million loan portfolio had the following composition: 39% residential real estate, 35% commercial, 22% consumer, and 4% agricultural.

The bank's primary lending products, by number of loans granted since the last examination, were direct consumer loans, 31% of total loans; indirect consumer loans (consumer loans sold to banks by retailers of goods or services), 21%; and commercial loans, 15%.

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. We assigned a "Needs to Improve" rating at the March 30, 1998, examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of the entire county of Montgomery, Kansas, one tract in Labette County, Kansas, and two tracts in Nowata County, Oklahoma. The AA contains 16 block numbering areas (BNAs). None of the BNAs are low income, four (25%) are moderate-income, 10 (63%) are middle-income, and 2 (12%) are upper-income. The AA has a population of 44,791 and is not in a Metropolitan Statistical Area.

Montgomery County contains BNAs 9501 through 9513. Four of these tracts are moderate-income tracts, seven middle-income, and two upper-income. The segment of Labette County in the AA is BNA 9506, a middle-income tract. The portion of Nowata County in the AA contains BNAs 9721 and 9722, both middle-income tracts. The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Kansas and Oklahoma statewide non-metropolitan median family income for 2000 is \$41,100 and \$33,300, respectively. The AA has the following income distribution for families:

Distribution of Family Income in Assessment Area	
Income Level	Percentage
Low-income Families	20%
Moderate-income Families	19%
Middle-income Families	24%
Upper-income Families	37%

Seventeen percent of the households have incomes below the poverty level, 38% receive social security, and 7% receive public assistance. Thirty-one percent of the population is not in the work force and 19% is over the age of 65.

The median housing value is \$28,308 and 64% of the housing units are owner occupied. The trade area has a diversified economy based upon manufacturing, energy, retail, and agriculture. Other employers in the area include community colleges, school districts, and medical facilities. Area economic conditions are good, but appear to show signs of weakening. The March 2001 unemployment rate for Montgomery County was 4.6%

Five banks, in addition to CNB, are headquartered in the AA. Two other area banks have branches in the AA and three large banks have branches in the AA. The AA also has six credit unions and one savings and loan. CNB is the largest bank headquartered in the AA and second largest of area banks with offices in the AA. CNB had a 17% market share of the deposits for Montgomery County on June 30, 2000. The Bank of America, N.A. branches had a 24% market share, while branches of Commerce Bancshares banks had a 15% market share.

Examiners contacted three community professionals. The contacts indicated the credit needs of the community are being met adequately by the local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

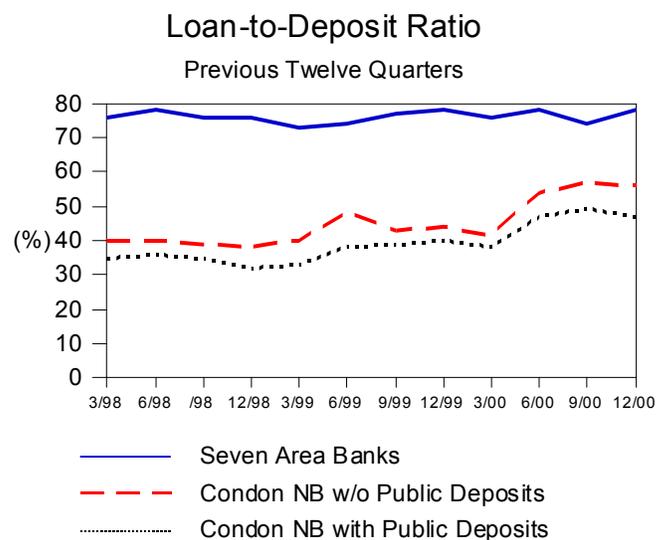
Loan-to-Deposit Ratio

CNB's lending level is satisfactory although it is lower than the other banks in the AA. The average loan-to-deposit ratio for the last 12 quarters was 39% and continues to show improving trends as the loan-to-deposit reached 47% at year-end 2000. The average loan-to-deposit ratio over the same period for the five banks headquartered in the AA and the two area banks with branches in the AA is 76%. Average loan-to-deposit ratios for these seven banks range from 53% to 92%.

CNB is the depository of local public funds and the large level of the public deposits negatively impacts the bank's loan-to-deposit ratio. The public funds have ranged from \$6 million to \$16 million and an average 96% of the funds have been demand deposits. If the public funds were not included in the deposit totals, CNB's average loan-to-deposit ratio for the last 12 quarters would be 46% with a 56% loan-to-deposit ratio at year-end 2000.

CNB was able to improve its loan-to-deposit ratio with the purchase of a \$7 million residential real estate loan package during 2000. The bank also expanded its indirect consumer lending activity to increase loan volume. CNB posted 53% loan growth between December 1997 and December 2000, the second largest growth amongst the area banks. During the same time period CNB experienced a 33% growth in deposits, the fourth largest of the area banks.

The following chart depicts each quarter's loan-to-deposit ratios for CNB and the area banks.



Lending in Assessment Area

CNB's lending in the AA is reasonable as it extended a majority of all loans granted since the last examination in its AA. The following table depicts the distribution of new loans by number and dollar amount.

Percentage of New Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
78%	66%

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

Lending to borrowers of different incomes and businesses of different sizes is satisfactory. Examiners analyzed samples of the bank's direct consumer loans, indirect consumer loans, and commercial loans as those loan products represent the majority of loans originated since the last examination. CNB's loan volume, by number, to consumers and businesses is comparable to the demographics of the AA.

Lending to borrowers of different income levels is satisfactory. Examiners selected a sample of 20 direct consumer loans and 20 indirect consumer loans granted since the last exam. The following table indicates the bank's lending to low-income and moderate-income borrowers compares favorably with the percentage of households in those income categories.

Sample of Consumer Loans Granted During 1998, 1999, and 1st Quarter 2001					
	Direct Consumer Loans		Indirect Consumer Loans		Households in Income Category
Income Level	% of #	% of \$	% of #	% of \$	%
Low-income	25	10	20	14	26
Moderate-income	20	15	25	25	17
Middle-income	35	63	45	41	18
Upper-income	20	12	10	20	39
Total	100	100	100	100	100

Lending levels to businesses of different sizes are satisfactory. CNB's lending to small businesses is slightly below the small business population of the AA. Examiners selected a sample of 20 business loans granted since the last examination. The following table indicates that 80% of the loans in the sample and 53% of the dollar amount of those loans were granted to small businesses with annual gross revenues less than \$1 million. Dun & Bradstreet's 2000 business demographic data indicates 89% of the businesses in the AA have annual sales of less than \$1million.

Sample of Business Loans Granted During 1998, 1999, 2000, & 1st Quarter 2001		
Annual Gross Revenues	Percentage of Number of Loans	Percentage of Dollar Amount of Loans
Less than \$100,000	20%	3%
\$100,000 to \$250,000	30%	11%
\$250,000 to \$500,000	10%	20%
\$500,000 to \$1,000,000	20%	9%
Over \$1,000,000	20%	57%

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the assessment area indicates the bank has reasonable penetration of the four moderate-income tracts in the AA. Examiners reviewed all loans granted during 1998, 1999, 2000, and the first quarter of 2001 to determine that 11% of the number and 8% of the dollar amount of the loans were in the moderate-income tracts. The bank's lending performance was strongest in the two moderate-income tracts in Coffeyville and the moderate-income tract for Cherryvale, although the bank did show reasonable lending penetration of the moderate-income tract in Independence. The Cherryvale and Independence tracts are not close to any CNB locations and are serviced by banks in those communities.

Since consumer loans (direct and indirect) and commercial loans represent the majority of the loans originated in the AA since the last examination we have included tables depicting the distribution of those loans.

The following chart indicates that the percentage of consumer loans in the Coffeyville moderate-income tracts mirrored the percentage of population in those tracts. The bank achieved this performance even though the tracts have a high level of poverty, which hinders the ability of borrowers to qualify for loans.

Consumer Loans Granted During 1998, 1999, 2000, & 1st Quarter 2001					
	BNA #9502 Cherryvale	BNA #9505 Independence	BNA #9510 Coffeyville	BNA #9512 Coffeyville	Total of 4 Moderate- income BNAs
% of Number of Total Loans	2%	1%	5%	4%	12%
% of Total Loan Dollars	2%	1%	4%	4%	11%
% of Population in AA	6%	4%	5%	4%	19%

The following chart depicts that the bank's commercial lending in moderate-income tracts was lower than the percentage of businesses in those tracts except for one Coffeyville tract. The bank's lending performance for number of loans in tract #9512 mirrored the percentage of businesses in that tract.

Commercial Loans Granted During 1998, 1999, 2000, & 1st Quarter 2001					
	BNA #9502 Cherryvale	BNA #9505 Independence	BNA #9510 Coffeyville	BNA #9512 Coffeyville	Total of 4 Moderate- income BNAs
% of Number of Total Loans	2%	1%	2%	6%	11%
% of Total Loan Dollars	3%	1%	1%	3%	8%
% of Businesses in AA	6%	6%	11%	6%	29%

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, and year-to-date 2001 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.