

PUBLIC DISCLOSURE

January 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank
Charter Number 8467**

**124 W. Spring
Conway Springs, Kansas 67031**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 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 The First National Bank, Conway Springs, Kansas, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 12, 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 “**Satisfactory.**”

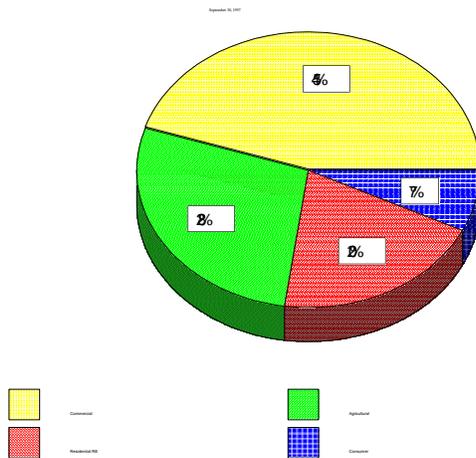
The bank has a satisfactory record of meeting the credit needs of its assessment area. At 88% the bank has an excellent loan-to-deposit ratio. Th First National Bank has a good record of lending to businesses of different sizes and borrowers of different income levels, especially low-income individuals. The bank has marginal penetration of the low- and moderate-income areas in its Assessment Area.

DESCRIPTION OF INSTITUTION

The First National Bank is a \$47 million bank located in Conway Springs, Kansas. The bank maintains the main office in Conway Springs, a branch in Norwich, Kansas, and a branch in Wichita, Kansas. Norcon Financial Corporation, a one-bank holding company, owns 100% of the bank's stock.

The First National Bank offers a variety of loan products for commercial, agricultural, residential real estate, and consumer credit needs. As of September 30, 1997, the bank's \$38 million loan portfolio had the following composition: 45% commercial, 28% agricultural and farmland, 20% residential real estate, and 7% consumer.

Loan Portfolio Composition



The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the community credit needs. The bank opened the branch office in Wichita in May 1997. At the July 28, 1995, examination we assigned an "Outstanding Record of Meeting Community Credit Needs."

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank has two assessment areas (AA). The Wichita branch's assessment areas consists of twelve census tracts in Wichita and is part of the Wichita Metropolitan Statistical Area (MSA). Norwich and Conway Springs share an AA that consists of three census tracts (CTs) in Sedgwick County, also part of the MSA, and the counties of Harper, Kingman, and Sumner. The tracts in the MSA area have a population of 46,534, while the non MSA area has a total population of 41,257.

Harper County contains block numbering areas (BNAs) 9716 through 9718. Kingman County contains BNAs 9911 through 9913. All are middle-income tracts. Sumner County contains BNAs 9921 through 9926. Three of these are middle-income tracts and three are upper-income. The specific CTs in Wichita are 15, 26, 27, 28, 29, 41, 43, 89, 90, 92, 93.02, and 94.02. The selected CTs in Sedgwick County are 96, 106, and 107. One tract is low-income, seven tracts are moderate-income, five are middle-income, and the remaining two tracts are upper-income. The Kansas statewide nonmetropolitan median family income is \$36,100 for 1997, while the Wichita MSA has a median family income of \$45,800.

The non MSA economy is dependent on agriculture; mainly wheat, milo, and dairy. The MSA area containing Wichita, the largest city in the Kansas, is diverse with retail trade, services, government, and manufacturing. It has a strong manufacturing base with four major aircraft manufacturers, a major camping supply manufacturer, and a chemical manufacturer. The economy which the bank operates in is strong.

Examiners interviewed two community contacts. These contacts indicated the primary credit needs of the area were agricultural credit needs. 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 excellent with an average loan-to-deposit ratio of 88% during the last eight quarters. The other nineteen banks headquartered in Harvey, Sumner, Kingman, and Sedgwick Counties, that the bank considers competition, had a combined average loan-to-deposit ratio of 69%. Loan-to-deposit ratio averages for these banks range from 46% to 82% over the same eight quarters.

Lending in the Assessment Area

The bank extends a majority of its loans within its AA. Examiners reviewed all loans generated during the 1996 and eleven months of 1997. The following table depicts the new loan distribution by number and dollar amount:

Percentage of New Loans Granted Within the AA	
Percentage by Number	Percentage by Dollar
70%	41%

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Lending levels to businesses of different sizes are good. Examiners sampled sixteen commercial loan customers with loans granted during 1996 or 1997. This represented 1% of the businesses in the non MSA area. Management considers seven of these borrowers as small businesses and nine as large operations. The following table displays the distribution of gross annual revenues for the sample:

Gross Annual Revenue Distribution for Businesses	
\$0 to \$100,000	2
\$100,001 to \$300,000	4
\$301,000 to \$500,000	1
\$500,001 and above	9

Examiners randomly sampled three agricultural loan customers with loans granted during 1996 or 1997. This represented 2% of the farms in the non MSA area. Management considers two of these borrowers as small farmers and one as large operations. The following table displays the distribution of gross annual revenues for the sample:

Agricultural Gross Annual Revenue Distribution	
Less than \$100,000	1
\$100,000 to \$200,000	1
\$300,000 and above	1

Lending levels to borrowers of different income levels are good. Examiners selected a sample of thirty-seven consumer loans granted at the Conway Springs office. The following table indicates a favorable distribution of loans to low- and moderate-income borrowers in the non MSA area.

Distribution of Consumer Loan Sample in Non MSA AA by Income Levels		
Income Levels	% Consumer Loan Sample	% of Families in Income Category
Low	24	15
Moderate	38	17
Middle	24	25
Upper	14	43

Examiners selected a sample of 11 loans granted at the Wichita office. The following table indicates good distribution of loans to low-income borrowers in the MSA area. The bank did not have any loans to moderate-income borrowers in this sample.

Distribution of Consumer Loan Sample in MSA AA by Income Levels		
Income Levels	% of Consumer Loan Sample	% of Families in Income Category
Low	45	21
Moderate	0	21
Middle	9	26
Upper	45	32

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the assessment area indicates the bank has marginal penetration of the selected tracts in the Wichita MSA, including moderate-income tracts. The bank reported 10 loans in moderate-income tracts in its AA, representing 5% of the loans granted in the MSA AA. The moderate-income CTs represent 58% of the selected MSA AA. The loans were concentrated in two of the seven moderate-income tracts. The bank did not have any loans in the one low-income tract in its AA. This low income tract has a population of only 780 with 4% owner occupied housing units. The Wichita branch has been opened seven months. A review of the loan distribution in the non MSA AA would not be meaningful as the area is middle- or upper-income.

Record of Compliance with Antidiscrimination Laws and Regulations

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

Response to Complaints

The bank has not received any complaints since the prior examination.