



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 25, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Conway Bank, National Association
Charter Number 8467

124 West Spring Avenue
Conway Springs, KS 67031

Office of the Comptroller of the Currency

2959 N. Rock Road, Suite 510
Wichita, KS 67226

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

- The Conway Bank, National Association's (Conway) quarterly loan-to-deposit (LTD) ratio of 83% reflects more than reasonable responsiveness to credit needs in its assessment areas (AAs).
- Conway extended a substantial majority of its primary loan products to businesses located inside the AAs. We found the bank granted 90% of the number and 81% of the dollar amount of loans within the AAs.
- Conway's lending to businesses and farms of different sizes reflects reasonable penetration. The loan sample for the Sedgwick County and Sumner County (Sedgwick/Sumner) AA indicated the bank's level of lending to small businesses is below the AA demographics. However, the bank's performance for agricultural lending in the Kingman County (Kingman) AA is stronger than the performance in the Sedgwick/Sumner AA.
- Conway's lending performance in low- and moderate-income tracts reflects excellent dispersion. The bank's level of lending in the Sedgwick/Sumner AA to businesses located in low- and moderate-income census tracts is above the Sedgwick/Sumner AA demographics.

SCOPE OF EXAMINATION

The examination included a full-scope review of two counties which lie within the Metropolitan Statistical Area (MSA) AA containing Sedgwick County and Sumner County and a limited-scope review of the AA containing Kingman County. The Kingman AA warranted a limited-scope review as loans in this AA represented only 15.83% of the total number and 7.42% of the total dollars lent in the evaluation period.

The bank's primary loan product in the Sedgwick/Sumner AA is business loans. Agricultural loans are the primary product in the Kingman AA. The evaluation of lending products included a review of twenty business loans originated in the Sedgwick/Sumner AA and twenty agricultural loans originated in the Kingman AA during 2010 and 2011.

The bank's business strategy has not changed; therefore the loans granted during these years are representative of all loans granted since the November 13, 2006 CRA examination.

DESCRIPTION OF INSTITUTION

As of December 31, 2012, Conway is a \$70.7 million bank located in Conway Springs, Kansas. In addition to the Conway Springs facility, Conway has a branch in Norwich, Kansas and two branches in Wichita, Kansas. Each branch has a drive-up facility. The bank has two ATMs. One is located at the Conway branch and one at a Wichita branch, neither of which accepts deposits. The bank has not opened or closed any

branches during the evaluation period. The bank is a wholly-owned subsidiary of Norcon Financial Corporation, a one bank holding company located in Conway Springs, Kansas. The holding company had total assets of \$8.9 million as of June 30, 2012.

Conway is a full-service banking institution offering a full range of commercial, real estate, and consumer credit products. On December 31, 2012, net loans and leases represented 47% of the bank's total assets. The \$36 million loan portfolio consisted of 45% business loans, 28% agricultural loans, 23% one-to-four family residential real estate loans, and 4% consumer loans.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs. The Office of the Comptroller of the Currency last evaluated Conway's Community Reinvestment Act (CRA) performance on November 13, 2006. The bank received an overall rating of "Satisfactory" under the Small Bank Performance Standards.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two AAs. The Sedgwick/Sumner AA includes two of four counties in the Wichita MSA #48620. The Kingman AA is not located in a MSA. The bank's AAs comply with the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

The 2000 U.S. Census population of the Sedgwick/Sumner AA was 478,815. The Housing and Urban Development (HUD) Updated 2011 MSA Median Family Income is \$64,100. The Sedgwick/Sumner AA has the following income distribution for families: 4% low-income, 32% moderate-income, 40% middle-income, and 24% upper-income. Of the 186,520 households in the Sedgwick/Sumner AA, 23% receive social security, 9% have income below the poverty level, and 3% receive public assistance. Approximately 12% of the population is over the age of sixty-five and 32% of the population consists of civilians not in the workforce. The median housing value from the 2000 U.S. Census data is \$78,513 and 62% of the units are owner occupied.

The Kingman AA has a population of 8,673 according to the 2000 U.S. Census. The HUD Updated 2011 MSA Median Family Income is \$53,700. The 2000 U.S. census identified two middle-income tracts and one upper-income tract. The Kingman AA contains 3,364 households. Approximately 35% of the households receive social security, 10% have income below the poverty level, and 3% receive public assistance. Approximately 20% of the population is over the age of sixty-five and 39% of the population consists of civilians not in the workforce. The median housing value from the 2000 U.S. Census data is 60,598 and 68% of the units are owner occupied.

The aircraft industry provides a significant number of jobs in the Wichita area. Major aircraft companies include: Spirit Aero Systems, Cessna Aircraft, Hawker Beechcraft Aircraft, and Bombardier Learjet, and Boeing Defense, Space & Security. Other key employers in the area include: McConnell Air Force Base, the public school system,

state and local governments, Via Christi Healthcare, Koch Industries, Wesley Medical Center and Wichita State University.

The Bureau of Labor Statistics reflects a December 2012 unemployment rate for Kingman, Sedgwick and Sumner County of 5.4%, 6.1% and 5.5%, respectively. The Wichita MSA had unemployment rate of 6.0% and the unemployment rate in Kansas for the same period was 5.4%.

Conway faces strong competition in the AAs. Based on the Federal Deposit Insurance Corporation's (FDIC) most recent deposit market share report dated June 30, 2012, a total of 43 other financial institutions maintain 185 offices in the Sedgwick/Sumner AA. Of these 43 institutions, two institutions dominate 47% of the market share of deposits. The Kingman AA has a total of three other financial institutions. Two of these financial institutions maintain a majority of their deposits in the Kingman AA. Management considers eleven of these institutions as the bank's primary competitors in the two AAs. The primary competitors are of similar size to Conway. Conway has 0.46% of the market share of deposits within the Sedgwick/Sumner AA and 7.67% within the Kingman AA.

Examiners contacted one community professional. The community contact stated the AAs are in need of loans to new small business. The contact indicated that all banks in the AAs are supportive of the community's credit needs to the extent of their capabilities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Conway's average quarterly LTD ratio of 83% reflects more than reasonable responsiveness to AAs credit needs. The LTD ratio ranged between 58% and 109% for the period under review. The average quarterly LTD ratio over the same period for the bank's competitors was 73%, with ratios ranging from 50% to 99%. The bank's average LTD ratio exceeded 9 of eleven competitors.

Lending in Assessment Area

Conway extended a substantial majority of its primary loan products to businesses located within the AAs. We found the bank granted 90% of the number and 81% of the dollar amount of loans within the AAs.

Lending to Businesses and Farms of Different Sizes

Conway's lending to businesses and farms of different sizes reflects reasonable penetration.

Conway’s lending to businesses of different sizes in the Sedgwick/Sumner AA reflects poor penetration. The business loan sample indicated 30% of the number of loans were granted to businesses with annual gross revenue of one million dollars or less. The bank’s performance is below the Sedgwick/Sumner AA demographic of 67%. The lower performance ratio is the result of one customer with many small loans but income greater than one million dollars. The performance ratio below demographics does not significantly impact the conclusion.

Distribution of Loans to Businesses in Sedgwick/Sumner AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	66.56%	3.30%	30.14%	100%
% of Bank Loans in AA by #	30.00%	65.00%	5.00%	100%
% of Bank Loans in AA by \$	18.32%	81.11%	0.56%	100%

Source: Loan sample; Dun and Bradstreet data

The bank’s performance in the Kingman AA is stronger than the performance in the Sedgwick/Sumner AA. The sample indicates 85% of the number of loans were made to agricultural borrowers with annual gross revenues of one million dollars or less, compared to the Kingman AA demographic of 99%

Geographic Distribution of Loans

Conway’s lending to businesses located in geographies of different income levels reflects excellent dispersion.

Based on the loan sample for the Sedgwick/Sumner AA, lending to businesses located in geographies of different income levels reflects excellent dispersion. The sample indicated 65% of the number of loans are to businesses located in moderate-income census tracts. This is significantly above the AA demographics of 23%. The bank did not originate loans in low-income census tracts. This did not detract from the overall rating for geographical distribution as lending opportunities in low-income census tracts are very limited.

Geographic Distribution of Loans to Businesses in Sedgwick/Sumner AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	1.87%	0.00%	23.41%	65.00%	44.31%	30.00%	30.40%	5.00%

Source: Loan sample; Dun and Bradstreet data

An analysis of the geographic distribution of loans originated in the Kingman AA during the evaluation period would not be meaningful. The Kingman AA does not contain any low- or moderate-income areas.

Responses to Complaints

Conway has not received any CRA related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.