



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 4, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Emprise Bank, National Association
Charter Number 3885**

**1200 Main Street - Post Office Box 400
Hays, Kansas 67601-0400**

**Office of the Comptroller of the Currency
Kansas City North - Salina Office
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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 **Emprise Bank, National Association, Hays, Kansas (EB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 4, 1997. 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 Record of Meeting Community Credit Needs.

Emprise Bank, National Association's CRA rating is based on the following factors:

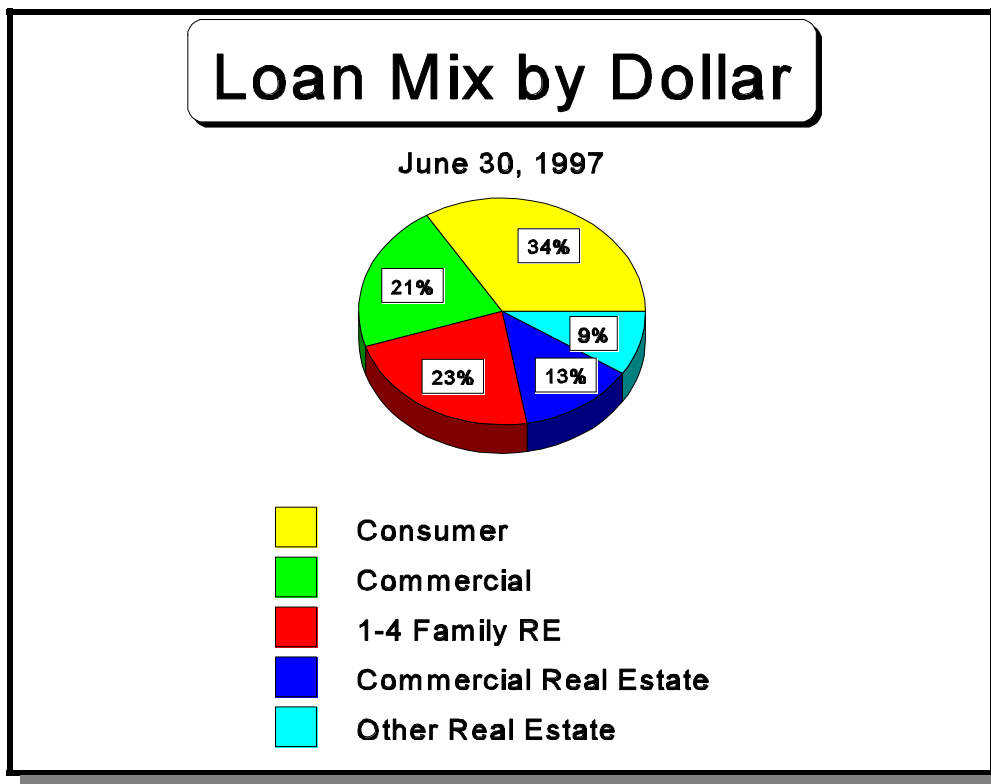
- The bank has a very good record of lending to various income level tracts within its assessment area.
- The bank has a reasonable record of extending credit to businesses of different sizes. The bank's lending to individuals reflects the demographics of the assessment area.

DESCRIPTION OF INSTITUTION

EB is a \$79 million bank located in Hays, Kansas. The bank operates two branches within the city. The institution offers full-service banking at the main lobby and extended banking hours at all three locations. All bank locations are equipped with drive-up facilities and automated teller machines. The institution is a subsidiary of a multi-bank holding company, Emprise Financial Corporation, Wichita, Kansas. The bank received a rating of "Outstanding Record of Meeting Community Credit Needs" at its last CRA examination dated October 7, 1994. No legal constraints, financial conditions, or other factors prevent the bank from helping to meet the credit needs of its assessment area.

During 1997 the bank was named a certified lender under the Business and Industry Guaranty Loan Program administered by the U.S. Department of Agricultural Rural Development. Through this program, the bank made a guaranteed loan in excess of \$2 million for building over 50 townhouses near Fort Hays State University. The bank was also named the district rural lender award winner for the U.S. Small Business Administration for making 11 guaranteed loans totaling \$1.5 million within the county during 1995.

The bank's loan portfolio is diversified with the largest concentrations in consumer, residential real estate and commercial credits. Net loans represent 66 percent of the bank's total assets as of June 30, 1997. The following chart shows the bank's loan mix as a percentage of average gross loans (by dollar):



DESCRIPTION OF ELLIS COUNTY ASSESSMENT AREA

The bank's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The AA includes all of Ellis County which is comprised of five block numbering areas (BNA). BNA 9729, (which includes Fort Hays State University), is designated as moderate-income. BNA's 9726, 9727 and 9730 are designated as middle-income, while BNA 9728 is designated as upper-income. Tract characteristics are based on respective family income levels as a percentage of the 1997 Kansas statewide median family income figure of \$36,100. BNA's 9727, 9728, and 9729 include the city of Hays.

The AA includes 6,530 families with a total population of 26,004. Approximately 18 percent of the families are designated as low-income, 16 percent are moderate-income, 22 percent are middle-income, and 44 percent are upper-income. The largest employers in the assessment area are Fort Hays State University, Hays Medical Center, Unified School District, Yuasa-Exide, Inc., and Sykes Enterprises, Inc.

The primary credit needs of the assessment area are for consumer (including student loans), residential real estate and commercial purposes. Economic development officials contacted within the community indicated there are no unmet credit needs in the AA. Competition for loans is provided by three branches of larger banks, a branch of a small bank, and one small bank headquartered in Ellis county. Additional competition is provided by two credit unions, a savings and loan located in Hays, and numerous other financial institutions in the surrounding counties.

Due to the local university, there is a strong demand for student loans in the AA. Approximately 60 percent of the consumer portfolio consists of student loans. Of the \$11.5 million of student loans on the bank's balance sheet, 3,032 loans totaling \$8.5 million were generated within the past 18 months. During this time period, the average student loan amount was \$2,809.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank's lending to individuals reflects the demographics of the AA. In addition, the bank has a reasonable record of extending credit to businesses of different sizes.

Consumer and Residential Real Estate Lending

For this analysis examiners sampled loans originated from January 1, 1996 to June 30, 1997. Our sample included 50 consumer loans totaling \$425 thousand and 45 residential real estate loans totaling \$3 million. The sample represented 10 percent of the consumer originations and 73 percent of the residential real estate originations, by number.

Individual Income Distribution					
Income Designation of Borrower	Distribution of Consumer Loans in Sample (excludes Student Loans)		Distribution of Residential Real Estate Loans in Sample		Percent of Families in Bank's Assessment Area
	#	%	#	%	%
Low	6	12%	2	4%	18%
Moderate	11	22%	7	16%	16%
Middle	16	32%	8	18%	22%
Upper	17	34%	28	62%	44%
Total	50	100%	45	100%	100%

The higher penetration among the upper-income individuals purchasing residential real estate is reflective of the housing developments within the city at this time.

Real Estate Loans Sold on the Secondary Market:

The bank also offers fixed-rate real estate loans that are sold on the secondary market. Examiners sampled 18 real estate loans sold on the secondary market. This sample represented 25 percent by number and dollar of loans originated and sold from January 1, 1996 through June 30, 1997. The results of this sample mirrored the distribution of the residential loans retained by the bank.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes
(continued)**

Student Loans:

The bank does not maintain income information on student loan applicants. All applicant data is obtained and retained by the university. Fort Hays State University provided adjusted gross income information on 46 student loans. This sample shows, by number, 85 percent of the applicants were low-income, 7 percent were moderate-income, 4 percent were middle-income, and 4 percent were upper-income.

Business Lending:

EB's distribution of loans to businesses of different sizes is reasonable. We analyzed the revenue distribution of 41 commercial borrowers located within the bank's AA. This sample represented 30 percent, by number, of the bank's commercial borrowers that originated loans from January 1, 1996 to June 30, 1997. By number, 71 percent of the entities we reviewed had gross annual revenues of less than \$500 thousand. The largest portion of commercial borrowers in our sample had gross annual revenues of less than \$100 thousand. This table shows a detailed breakdown of this revenue distribution:

BUSINESS REVENUE DISTRIBUTION				
(Sample of 41 Loans Originated 1/1/96 - 6/30/97 in the Bank's AA)				
Revenue Category	Distribution of Loans in OCC's Commercial Sample		Distribution of Loans in OCC's Commercial Sample	
	Dollars (000)	Percentage	Number	Percentage
\$0 - \$100,000	853	24	13	32
\$100,001 - \$250,000	1,145	32	11	27
\$250,001 - \$500,000	353	10	5	12
Over \$500,000	1,217	34	12	29
TOTALS	3,568	100	41	100

The bank's revenue distribution is representative of businesses within the AA according to information provided by Dun & Bradstreet.

Geographic Distribution of Loans

EB has a very good record of lending to various income level tracts within its assessment area. The assessment area does not contain any low-income BNA's. The bank's record of lending reflects good penetration throughout the entire AA, with especially good dispersion within the moderate-income tract.

The bank *does* map the location of credit extensions and denials (excluding student loans). The examiner's sample verified the bank's geographic analysis. The following table shows the results of our geographic analysis:

GEOGRAPHIC DISTRIBUTION OF LOANS (Sample of 136 Loans Within the Bank's AA)						
Tract Income Level	BNA's in AA	% of BNA's in AA	% of Commercial Loans Reviewed (by #)	% of Real Estate Loans Reviewed (by #)	% of Consumer Loans Reviewed (by #) Excludes Student Loans	% of Loans Reviewed (by #)
Low	0	0%	0%	0%	0%	0%
Moderate	1	20%	32%	19%	33%	27%
Middle	3	60%	50%	31%	43%	41%
Upper	1	20%	18%	50%	24%	32%
Total	5	100%	100%	100%	100%	100%

Real Estate Loans Sold on the Secondary Market:

In addition, the sample of 18 real estate loans sold on the secondary market revealed a stronger penetration in the moderate-income tract than those real estate loans retained on the bank's books. By number, 28 percent of the loans were to borrowers in the moderate-income tract.

Student Loans:

Student loans originated between January 1, 1996 and June 30, 1997 total \$8,517,878. Virtually all of these loan proceeds (90 percent by dollar and 89 percent by number) went to students at Fort Hays State University. The university lies in the moderate-income BNA 9729.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is strong. EB's average LTD ratio for the past eight quarters is 70 percent. A similarly situated bank in Hays shows an average LTD of 42 percent. The only other bank headquartered within the AA has an average LTD ratio of 29 percent.

Lending in Assessment Area

The bank's record of lending to borrowers within its AA is reasonable. For this analysis, examiners sampled 3,194 loan originations made from January 1, 1996 to June 30, 1997. Our sample included 50 consumer loans totaling \$425 thousand, 3,032 student loans totaling \$8.5 million, 62 residential real estate loans totaling \$4.5 million, and 50 commercial loans totaling \$5.3 million. This sample represented approximately 10 percent of consumer loans (excluding student loans), 100 percent of student loans, 100 percent of residential real estate loans, and 26 percent of commercial loans, by number. We found approximately 89 percent, by number, and 83 percent, by dollar volume, of these originations were to borrowers living within the bank's AA. The following table shows the results of our analysis:

Assessment Area Analysis (Sample of 3,082 Consumer, 62 Residential Real Estate, and 50 Commercial Originations)								
	Consumer Loans (including Student Loans)		Residential Real Estate		Commercial Loans		Total Loans Reviewed	
	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)
In AA	2,745	\$8,013	57	\$4,224	41	\$3,416	2,843	\$15,653
Percent	89%	90%	92%	94%	82%	64%	89%	83%
Out of AA	337	\$930	5	\$274	9	\$1,917	351	\$3,121
Percent	11%	10%	8%	6%	18%	36%	11%	17%

Compliance with Anti-discrimination Laws and Regulations

The bank's compliance with anti-discrimination laws and regulations is satisfactory. We found no evidence of discriminatory practices and did not identify any substantive violations in this area.