



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 30, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Emprise Bank, National Association
Charter Number 6120**

**104 East Grand
Hillsboro, KS 67063**

**Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road Suite 450
Merriam, KS 66204**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Major factors supporting this rating are:

- The geographic distribution of home purchase loans in the Lawrence AA is good.
- The bank is doing a good job lending to small farms.
- The bank's average loan-to-deposit ratio since the last CRA examination is excellent.
- A majority of loans are within the assessment areas.

Our conclusions are based on a review of Emprise Bank's (EB) CRA efforts from October 1, 1996 to September 30, 2001.

DESCRIPTION OF INSTITUTION

EB is a \$96 million institution owned by Emprise Financial Corporation, a multi-bank holding company. The holding company is headquartered in Wichita, Kansas and has total assets of \$752 million. The bank's main office is located in Hillsboro, Kansas where there is one deposit-taking ATM. Two branches with deposit-taking ATMs are located in Lawrence, Kansas and there is one branch in Council Grove, Kansas. Net loans represent 78 percent of total assets. EB offers a full range of both lending and deposit services.

EB's primary lending focus is 1-4 family residential loans, loans to individuals, and agricultural loans. As of June 30, 2001, the dollar volume of EB's loan portfolio consists of 54 percent real estate loans, 30 percent consumer loans, 10 percent agricultural loans, and 5 percent commercial loans. One-to-four family residential loans represent 32 percent of total real estate loans.

The bank could not provide information regarding loan originations and purchases from October 1, 1996 to September 30, 2001. Therefore, we determined primary loan products based on the total number and dollar volume of loans outstanding. The following table represents loans outstanding by assessment area.

HILLSBORO-COUNCIL GROVE

LOAN TYPE	NUMBER OF LOANS	DOLLAR VOLUME OF LOANS
Conventional 1-4 family 1 st REM *	13 percent	20 percent
Consumer	62 percent	30 percent
Farmland	3 percent	9 percent
Commercial	7 percent	7 percent
Agriculture	12 percent	30 percent
Other	3 percent	5 percent

* REM = Real estate mortgage

LAWRENCE

LOAN TYPE	NUMBER OF LOANS	DOLLAR VOLUME OF LOANS
Conventional 1-4 family 1st REM *	46 percent	42 percent
Construction - Commercial	3 percent	11 percent
Non-farm, non-residential	6 percent	18 percent
Consumer loans	24 percent	2 percent
Commercial	10 percent	9 percent
Other	11 percent	18 percent

* REM = Real estate mortgage

Based on the volume of loans outstanding by assessment area (AA), primary loan products in the Hillsboro-Council Grove AA are consumer and agriculture loans. Our review in this AA will focus on consumer and agriculture loans.

In the Lawrence AA, the primary loan product is 1-4 family 1st mortgage residential real estate loans. Based on a review of HMDA information from Lawrence, home purchase loans are the primary product in the 1-4 family residential real estate category as they represent 82 percent by number and 89 percent by dollar volume of loans. Therefore, our review in this AA will focus on home purchase loans.

There are no legal or financial constraints that impede the bank's CRA efforts. The last CRA examination dated November 19, 1996 rated the bank's performance as "Satisfactory." EB has not opened or closed any branches since the last CRA exam.

DESCRIPTION OF HILLSBORO-COUNCIL GROVE AND LAWRENCE

EB has three assessment areas (AA):

- Hillsboro - Block numbering area (BNA) 9896 in Marion County,
- Council Grove - All of Morris County, which includes BNA's 9836 and 9837, and
- Lawrence - Census tracts 1 - 10 in Douglas County.

All AA's are in the state of Kansas and meet regulatory requirements. For analysis purposes, BNA's 9896, 9836, and 9837 are combined. These areas are homogenous and are not part of an MSA.

The Hillsboro-Council Grove AA consists of three middle-income BNA's with a population of 9,895 persons. The updated HUD, non-MSA median family income for 2001 is \$43,200. This compares to the 1990 Census median family income of \$28,067. In this AA, 17 percent of families are low-income, 21 percent are moderate-income, 25 percent are middle-income, and 37 percent are upper-income. The median housing value is \$34,968 and 65 percent of housing units are owner-occupied. The percentage of households and families below the poverty level is 13 percent and 9 percent, respectively.

The economic base of the Hillsboro-Council Grove AA is dominated by agriculture and service industries. Economic conditions are stable. As of September 2001, the unemployment rate in Marion County and Morris County is 2 percent and 2.4 percent, respectively. Other financial institutions in the AA, with total assets ranging from \$10 million to \$486 million, provide competition.

The Lawrence AA consists of one low-income (9 percent), two moderate-income (18 percent), five middle-income (45 percent), and three upper-income (27 percent) census tracts. This AA is part of the Lawrence, Kansas MSA and has a total population of 67,221 persons. The updated HUD, MSA median family income for 2001 is \$55,100. This compares to the 1990 Census median family income of \$35,632. 22 percent of families are low-income, 16 percent are moderate-income, 24 percent are middle-income, and 39 percent are upper-income. The median housing value is \$69,472 and 45 percent of housing units are owner occupied. The percentage of households and families below poverty level is 24 percent and 11 percent, respectively.

The economic base in the Lawrence AA is dominated by service industries. Major employers are The University of Kansas, the public school district, Lawrence Memorial Hospital, and the city government. The economy is stable with an unemployment rate of 3.9 percent as of September 2001. There is strong competition from several financial institutions that range in asset size from \$79 million to \$564 billion. A significant number of competitor banks have seven or more offices outside of the Lawrence market.

During this evaluation, we made one community contact with a business group that serves the city of Hillsboro, Kansas. Our contact stated that financial institutions do an excellent job of meeting community needs. The contact was not aware of any formal community development projects or programs. We also reviewed one contact made by regulators in Lawrence, Kansas. This contact indicated the most significant credit need is affordable residential housing with closing cost assistance. The contact also stated financial institutions are doing a good job meeting community credit needs and there are some opportunities for banks to participate in community development projects with the city.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

EB's lending to borrowers of different income levels and businesses of different sizes is adequate.

EB's performance regarding loans made to small farms is good and consumer loan performance is adequate in the Hillsboro-Council Grove AA. However, EB needs to improve performance making home purchase loans to low- and moderate-income individuals in the Lawrence AA. A majority of total loans are in the Hillsboro-Council Grove AA (88 percent by number and 62 percent by dollar volume). Therefore, performance in this AA is weighted more heavily.

Hillsboro-Council Grove Assessment Area:

Primary products are agriculture and consumer loans. We sampled twenty agriculture loans and twenty consumer loans originated or purchased during 1999, 2000, and through September 30, 2001.

The following table summarizes the bank's agriculture loan performance compared to the percentage of farms in this AA.

Agriculture loans

	# of loans	\$ volume of loans	% of farms in AA
Annual gross revenues < \$1 million	85%	42%	97%
Annual gross revenues > \$1 million	5%	52%	3%
Revenues not reported	10%	5%	0

EB is doing a good job lending to small farms with annual gross revenues of less than \$1 million. All of the loans reported in this category have gross annual revenues of less than \$400 thousand. Twelve of the twenty loans sampled have annual gross revenues of less than \$100 thousand. EB's performance is comparable to demographics.

The following table summarizes the bank's performance regarding consumer loans compared to the percentage of households in the AA.

Consumer loans

INCOME LEVEL	# OF LOANS	\$ VOLUME OF LOANS	% OF HOUSEHOLDS
Low-income	15%	11%	22%
Moderate-income	10%	5%	17%
Middle-income	35%	31%	21%
Upper-income	40%	53%	40%

EB is doing an adequate job making consumer loans to low-income borrowers. By number of loans to low-income borrowers, performance is 68 percent of demographics. However, Loans to moderate-income individuals are significantly below demographics by both number and dollar volume of loans. A majority of consumer loans are made to purchase automobiles. Dealerships provide strong competition for this type of loan with low rates and other incentives. This is one mitigating factor for the bank's performance to moderate-income individuals. Another mitigating factor is that approximately 13 percent of households in AA are below poverty level.

Lawrence Assessment Area:

Home purchase loans are the primary product in this AA. We reviewed all HMDA-reported home purchase loans originated and purchased in 1999, 2000, and through September 30, 2001.

The following table summarizes EB's performance regarding HMDA-reported home purchase loans compared to the percentage of families in this AA.

Home purchase loans

INCOME LEVEL	# OF LOANS	\$ VOLUME OF LOANS	% OF FAMILIES IN AA
Low-income	0	0	22%
Moderate-income	7%	4%	16%
Middle-income	19%	11%	24%
Upper-income	70%	84%	39%
Income not reported	4%	1%	0

Loans to moderate-income individuals are significantly below demographics by both number and dollar volume of loans. This performance is primarily due to the fact that the bank does not make fixed rate loans and all home purchase loans require a down payment of 20 percent. Community contacts identified closing cost assistance as a primary credit need. EB did not make any home purchase loans to low-income individuals. Approximately 11 percent of families are below the poverty level.

Geographic Distribution of Loans

EB's geographic distribution of home purchase loans in the Lawrence AA is good.

The analysis reflects lending in most tracts in the AA. Primary products and loan samples are the same as those used for the analysis of lending to borrowers of different incomes.

The following table summarizes EB's performance regarding HMDA-reported home purchase loans compared to the percentage of owner-occupied housing in each census tract.

Home purchase loans

TRACT INCOME LEVEL	# OF LOANS	\$ VOLUME OF LOANS	% OF OWNER-OCCUPIED HOUSING
Low-income	0	0	.18%
Moderate-income	19%	8%	14.85%
Middle-income	59%	63%	52.82%
Upper-income	22%	29%	32.15%

EB is doing a good job making loans in moderate-income tracts. By number of loans, performance is above demographics, which mitigates the bank's performance by dollar volume of loans. There is only one low-income tract in the AA. The lack of performance in this tract is not of concern since there is very little owner-occupied housing in this area. Approximately 95% of housing units in the low-income tract are rental.

An analysis of the geographic distribution of loans in the Hillsboro-Council Grove AA is not meaningful since it does not contain any low- or moderate-income areas.

Loan-to-Deposit Ratio

EB's average loan to deposit (LTD) ratio since the last CRA examination is excellent.

The quarterly average LTD ratio from October 1, 1996 to September 30, 2001 is 93 percent. This compares to quarterly average LTD ratios of four similarly situated banks ranging from 64 percent to 90 percent during the same time period. The four banks are similarly situated as they are headquartered in Kansas and serve the same AAs.

Lending in Assessment Area

Lending in the AA is adequate.

A majority of EB's loan originations and purchases, by both number and dollar amount, are in its AAs. We sampled twenty agriculture and twenty consumer loans. These samples were randomly selected from loan originations and purchases from October 1, 1996 to September 30, 2001. We also reviewed 100% of HMDA-reported home purchase loans originated and purchased during the same time period. The following table represents our findings.

LOAN TYPE	% IN THE AA	
	#	\$
Agriculture	75%	70%
Consumer	55%	53%
Home purchase	70%	74%
TOTALS	69%	68%

Responses to Complaints

EB has not received any complaints about its CRA performance.

Fair Lending Review

An analysis of recent public comments, consumer complaint, and HMDA 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 2000.