



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 18, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Equity Bank, A National Association
Charter Number 18478**

**225 W. Central
Andover, KS 67002**

**Comptroller of the Currency
Wichita Field Office
3450 North Rock Road Suite 505
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.

- Equity Bank's average loan-to-deposit ratio of 81% is good, as compared to the average of 78% for nine similarly situated banks.
- A majority of the Equity Bank's primary loan products have been granted in the assessment area. The loan samples indicate 73% of the number and 62% of the dollar volume were granted within the assessment area.
- Equity Bank has demonstrated a good level of lending to borrowers of different income and businesses of different sizes. The residential real estate sample indicated that 8% of the loans were granted to low-income borrowers and 25% were granted to moderate-income borrowers. Lending to businesses of different sizes is excellent. The commercial loan sample indicated 95% of the number of loans were granted to businesses with annual revenues less than one million dollars.
- Equity Bank's lending performance to low- and moderate-income tracts is adequate. One percent of the residential real estate loans were granted to borrowers in low-income tracts and 12% were granted to borrowers in moderate-income tracts. Five percent of the commercial real estate loans were granted to businesses in low-income tracts and 10% were granted to businesses in moderate-income tracts.

DESCRIPTION OF INSTITUTION

Equity Bank, A National Association (Equity Bank) is a \$158 million bank headquartered in Andover, Kansas. In addition to the main office, the bank has three branches in Wichita, Kansas. Two of these branches were purchased from Hillcrest Bank in February 2005. Each office has a drive-up facility and a deposit-taking automated transaction machine (ATM). The bank closed its unmanned depository in July 2006. The bank is also operating eleven loan production offices with locations in Wichita and Lawrence, Kansas, Oklahoma City, Oklahoma, and Lee's Summit, Missouri. Equity Bancshares, Inc., is a \$17 million, one-bank holding company located in Andover, Kansas.

Equity Bank is a full-service bank offering a variety of loans. Net loans represent 74% of the bank's total assets. As of June 30, 2006, the bank's \$116 million portfolio had the following composition: 74% real estate, 23% commercial, 1% agricultural, 1% consumer, and 1% other.

The bank's primary lending products by number and dollar amount of loans granted since the last Community Reinvestment Act (CRA) examination are commercial real estate loans and one-to-four family residential real estate purchase loans.

The bank's financial condition, size, local economic conditions, and other factors allow it to meet the needs of its assessment area (AA). We assigned a "Satisfactory" rating at the April 18, 2002 CRA examination.

DESCRIPTION OF ASSESSMENT AREA

Equity Bank's AA consists of Butler County, Kansas (13 census tracts) and Sedgwick County, Kansas (118 census tracts). Five of the tracts are low-income tracts (4%), 40 of the tracts are moderate-income (30%), 52 of the tracts are middle-income (40%), and 34 of the tracts are upper-income (26%). Both counties are part of the Wichita Metropolitan Statistical Area (MSA) and the 2000 U.S. Census population of the two counties was 512,351. The 2006 Housing and Urban Development (HUD) MSA median family income is \$61,200. The AA has the following income distribution for households: 2% low-income, 28% moderate-income, 45% middle-income, and 25% upper-income. Of the 198,182 households in the AA, 23% receive social security and 3% receive public assistance. Nine percent of the households in the AA have incomes below the poverty level. Twenty-four percent of the population is over the age of sixty-five and 12% of the population consists of civilians not in the workforce. The median housing value is \$79,672 and 62% of the housing units are owner-occupied.

The local economy is stable, but dependent on the aircraft industry. Major employers in the Wichita area include Spirit Aerosystems, Raytheon Aircraft, Cessna Aircraft, McConnell Air Force Base, Via Christi Health Systems, the school districts, and city, county, state governments. Major employers in the Andover area include the school district, Butler County Community College, Vornado, and Sherwin Williams. The unemployment rate for the Wichita MSA in August 2006 was 5.1%.

The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Examiners reviewed four recent community contacts performed by the OCC. The contacts identified affordable housing and small business loans as the primary credit needs in the communities within the AA. The contacts indicated that financial institutions are meeting the credit needs of the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Equity Bank's lending level is good. The average quarterly loan-to-deposit ratio since the last CRA examination was 81%, as compared to 78% for nine similarly situated banks with locations in the AA. The average loan-to-deposit ratios for these banks range from 52% to 90%.

Lending in Assessment Area

Equity Bank’s level of lending in its assessment area is satisfactory, as it extended a majority of its major loan products to borrowers in the AA. Specifically we found that the bank made 73% of the number and 62% of the dollar amount of loans in the AA. This sample included twenty commercial real estate loans and all of the bank’s residential real estate purchases as reported under the Home Mortgage Disclosure Act (HMDA) for 2005 and year-to-date 2006.

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

Equity Bank’s lending to borrowers of different incomes and businesses of different sizes is good. To assess the bank’s performance, examiners analyzed all residential real estate purchase loans recorded on the HMDA Loan/Application Report (LAR) for 2005 and year-to-date 2006 and twenty commercial real estate loans granted in 2004, 2005, and year-to-date 2006. These loan products represent the primary loan types originated since the last CRA examination.

Residential real estate lending to borrowers of different income levels is adequate. Lending levels to low-income borrowers is adequate. Eight percent of the residential real estate loans were granted to low-income borrowers, as compared to demographics showing 18% of the AA families are low-income. While the penetration of low-income borrowers is poor, 9% of the AA households are below the poverty level and 67% of the housing in the low-income tracts are rental units. These factors make it difficult for the bank to make 1-4 family purchase loans. Lending levels to moderate-income borrowers is good, as 25% of the number of loans were granted to moderate-income borrowers compared to 19% of the families in the AA having moderate-income.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate - Purchase	18%	8%	19%	25%	24%	25%	39%	42%

Source: Data reported under HMDA and U.S. Census data

The bank participates in the *Single Family Mortgage Revenue Bonds* program. Through this program, the bank originates loans for first time homebuyers. The program outlines the homebuyer’s income limits and maximum purchase prices. The bank has originated approximately \$7 million in loans to low- and moderate-income borrowers through this program.

Lending to businesses of different sizes is excellent. The commercial real estate loan sample had 95% of the number and 97% of the dollar amount of loans granted in the AA to businesses with revenues less than one million dollars. The AA demographics show that 58% of the businesses have annual gross revenues less than one million dollars and 36% of the businesses revenue information is not available or unknown.

Borrower Distribution of Loans to Businesses in AA

Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	58%	6%	36%	100%
% of Bank Loans in AA by #	95%	0%	5%	100%
% of Bank Loans in AA by \$	97%	0%	3%	100%

Source: Loan sample and 2006 Business Geodemographic Data

Geographic Distribution of Loans

The geographic distribution of the bank's loans in low- and moderate-income tracts is adequate. The bank's penetration of low-income tracts is good and in-line with the demographics. One percent of the bank's residential real estate loans were granted to borrowers in low-income tracts matching the AA's demographics. The bank's penetration in moderate-income tracts is adequate; 12% of the loans were granted to borrowers in moderate-income tracts, as compared to demographics showing 20% of owner occupied housing units are in moderate-income tracts.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Residential Real Estate - Purchase	1%	1%	20%	12%	49%	39%	30%	48%

Source: Loan sample and 2000 U.S. Census data

The bank's distribution of commercial real estate loans in low- and moderate-income tracts in the AA is adequate. Penetration in the low-income tracts is good and the bank granted 5% of the loans to businesses in low-income tracts. This compares to only 3% of the AA businesses being located in low-income tracts. Ten percent of the number of loans were granted to businesses in moderate-income tracts, as compared to the business demographics of 28%. While the sample shows poor penetration in the moderate-income tracts, the bank has five additional community development loans for affordable housing totaling \$5.9 million located in moderate-income tracts.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Commercial Real Estate	3%	5%	28%	10%	42%	55%	27%	30%

Source: Loan sample and 2006 Business Geodemographic Data

Qualified Investments and CD Services

Equity Bank has committed \$100 thousand to the Heart of Wichita Housing Fund. This group funds the purchase of homes for individuals that have marginal credit and low- to moderate-income.

Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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