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Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**United National Bank
Charter Number 9384**

**436 North Main Street
Russell, KS 67665**

**Comptroller of the Currency
Kansas City Field Office
7101 College Boulevard, Suite 1600
Overland Park, KS 66210-2007**

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 Community Reinvestment Act (CRA) RATING: This institution is rated “Outstanding”.

We based the CRA rating primarily on the following factors:

- A substantial majority of the loans were made inside the Assessment Area (AA).
- United National Bank's (UNB's) distribution of loans to borrowers of different income levels, including small loans to farms and businesses of different sizes is excellent.
- UNB's average loan-to-deposit (LTD) ratio is reasonable.

SCOPE OF THE EXAMINATION

We evaluated UNB's CRA performance using Small Bank CRA procedures. We reviewed 1-4 family refinance loans, agricultural loans, and commercial loans originated or purchased between January 1, 2008 and December 31, 2010. These are UNB's primary product lines.

We contacted two individuals within the community during this examination. These individuals represented a local housing authority and economic development group. The latter contact identified small business and affordable housing loans as the primary credit needs in the community. Both contacts stated all financial institutions in the area are meeting credit needs in the community.

DESCRIPTION OF INSTITUTION

UNB is a \$92 million, two-branch institution located in Russell and Natoma, Kansas. The market for loans and deposits is highly competitive. As of June 30, 2010, UNB held 30.44 percent and 16.44 percent of deposits in Russell and Natoma, respectively.

There are no legal or financial factors that impede UNB's ability to help meet the credit needs of the AA. The bank received a “Satisfactory” rating at the last CRA examination dated December 30, 2004. Please refer to UNB's Public File for more information.

DESCRIPTION OF ASSESSMENT AREA

UNB designated all of Ellis, Osborne, Rooks, and Russell counties as its AA. The AA encompasses 10 census tracts (CTs). The bank's main office is located in Natoma, in Osborne County and the Russell branch is located in Russell County. The AA contains nine middle-income tracts and one upper income CT. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The local economies are dependent on agriculture and oil production and are stable. The Bureau of Labor Statistics reports unemployment rates of 3.2 percent, 4.0 percent, 5.4 percent, and 5.0 percent for Ellis, Osborne, Rooks, and Russell Counties, respectively, as of year-end 2010. These rates are better than the 6.6 percent for the State of Kansas and significantly better than the 9.1 percent nationwide rate. However, Osborne and Rooks Counties have been designated by the Federal Financial Institutions Examination Council as underserved because they are remote

and rural. Russell County has been designated as distressed due to population loss. These factors were considered during the evaluation of UNB's lending performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

UNB's performance under the lending test is outstanding, supported by:

- excellent distribution among borrowers of different income levels and of small loans to farms and businesses of different sizes;
- a substantial majority of loans made within the AA; and
- reasonable LTD ratios, considering the bank's large deposit base and limited loan growth.

Loan-to-Deposit Ratio

UNB's LTD ratio is reasonable, given the institution's size, financial condition, AA credit needs, and atypical deposit activity. UNB's quarterly average LTD ratio for the past 12 quarters was 43 percent. UNB is the only bank in Russell County which accepts the public county deposits. This activity can increase deposit balances by \$6 to \$10 million twice per year, often just prior to a quarter-end. This factor contributes to higher deposit balances, resulting in lower LTD ratios without a significant change in the lending activity. Quarterly average LTD ratios of the similarly-situated banks ranged from 46 percent to 112 percent.

Lending in Assessment Area

UNB's record of lending to borrowers in the AA is excellent given its size, financial condition, and AA credit needs. Based on our sample, a substantial majority of the loans were made inside the AA. We reviewed 1-4 family refinance loans, small loans to farms, and small loans to businesses. Our review found UNB originated 100 percent of 1-4 family refinances and agricultural loans by number and dollar volume inside the AA. The bank originated 86 percent of its commercial loans by number and 60 percent by dollar volume inside the AA.

Lending Distribution

Geographic Distribution of Loans - A geographic distribution analysis is not meaningful since there are no low- or moderate-income CTs in the AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes - UNB's distribution of loans to borrowers of different income levels is excellent.

While UNB's refinance lending to low-income residential real estate borrowers was significantly below the percentage of families with low-incomes, we still considered the lending levels to be reasonable. The AA demographics show that 17.72 percent of families are low-income, while 14.03 percent of households are below the poverty level, which would significantly limit management's ability to make refinance loans to low-income borrowers. Lending to moderate-income residential real estate borrowers is excellent. Demographic data shows that 21.24 percent of the families are moderate-income and UNB made 20 percent of its residential real estate loans to moderate-income families.

The distribution of loans to businesses of different sizes within the AA is excellent. Based on our sample, UNB’s distribution of loans to businesses with revenues less than \$1 million was 84.21 percent, exceeding the percentage of businesses in the AA with revenues less than \$1 million of 76.79 percent. Approximately 68.42 percent of UNB’s loans to businesses were made in amounts less than \$100 thousand.

Table 2A - Borrower Distribution to Small Businesses in UNB’s AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	76.79%	3.24%	19.97%	100.00%
% of Bank Loans in AA by #	84.21%	15.79%	0.00%	100.00%
% of Bank Loans in AA by \$	77.97%	22.03%	0.00%	100.00%

UNB’s distribution of loans to farms by farm revenue and size of the loans is excellent. Based on our sample, UNB’s distribution of small loans to farms with revenues less than \$1 million was 91 percent by number and 98 percent by dollar, while the percentage of farms in the AA with revenues below \$1 million at 98 percent.

Borrower Distribution to Farms in UNB’s AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	98.01%	1.08	0.10%	100.00%
% of Bank Loans in AA by #	90.91%	0.00%	9.09%	100.00%
% of Bank Loans in AA by \$	98.13%	0.00%	1.87%	100.00%

Responses to Complaints

UNB has not received any consumer complaints regarding performance in helping to meet the credit needs of the AA during the evaluation period.

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.