



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**United National Bank
Charter Number 9384**

**702 North Second
Natoma, Kansas 67651-0040**

**Office of the Comptroller of the Currency
Salina Duty Station
Post Office Box 616
Salina, Kansas 67402-0616**

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 **United National Bank, Natoma, Kansas (UNB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 12, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. § Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”.

UNB’s rating is based on the following factors:

- The bank demonstrates a reasonable record of extending credit to individuals of different income levels and to businesses of different sizes.
- The geographic distribution of loans is reasonable.
- The average loan-to-deposit ratio is satisfactory, with a majority of loans being made within the bank’s designated assessment area.

DESCRIPTION OF INSTITUTION

United National Bank (UNB) is a \$48 million bank headquartered in Natoma, Kansas. It has one branch located in Russell, Kansas. In addition, the bank operates one automated teller machine in Russell. The bank received a rating of “Satisfactory Record of Meeting Community Credit Needs” at its last CRA examination dated August 4, 1994.

UNB offers a variety of lending services. Net loans represent 55 percent of the bank’s total assets. The loan portfolio mix is 24 percent agricultural, 19 percent commercial, 18 percent farm real estate, 16 percent residential real estate, 9 percent other types of real estate, and 14 percent consumer. No legal constraints, financial conditions, or other factors prevent the bank from helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

UNB’s assessment area meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income geographies. The assessment area includes four entire counties in north central Kansas. The counties either surround or are adjacent to the bank’s main office and branch location.

The assessment area includes 12 block numbering areas (BNA) in the following Kansas counties: Osborne, Russell, Rooks, and Ellis. The area contains three moderate-income BNA’s, eight middle-income BNA’s, and one upper-income BNA. Total population of the assessment area is 44,745. Of the 12,052 families in the assessment area, 20 percent are designated low-income, 19 percent are moderate-income, 24 percent are middle-income, and 37 percent are upper-income. These income designations are based on the Kansas statewide updated median family income of \$34,300.

The primary credit needs of the assessment area are mainly for agricultural purposes. There is also good demand for small business and personal lending purposes. The bank operates in a normal competitive environment. UNB is the only financial institution within the city of Natoma. There are three banks in the city of Russell, and numerous institutions in the surrounding counties.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable. UNB's average LTD ratio for the past eight quarters is 65 percent and is similar to other comparable banks in the assessment area. We compared the bank's LTD ratio to nine other banks which are similarly situated based on location and asset size. The average LTD ratio for the comparison group was 62 percent, ranging between 29 percent and 92 percent. UNB ranked fifth among these banks.

Lending in Assessment Area

The bank originates most of its loans to borrowers living within the assessment area. For this analysis, we reviewed a sample of 40 recent loan originations. This sample included 10 consumer and 10 commercial and agricultural originations each from the Natoma office and the Russell branch. We found 83 percent of the number and 85 percent of the dollar volume of these loans were to borrowers within the assessment area. By number, approximately 95 percent of Natoma's loans and 70 percent of Russell's loans were within the assessment area.

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

The bank's loan distribution closely approximates the income characteristics of the assessment area. We reviewed a sample of 20 recent consumer loans to determine the percentage of borrowers within each income category. The table on the following page compares the bank's consumer lending distribution to the local demographic characteristics:

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

Individual Income Distribution			
Income Designation of Borrower	Distribution of Loans in OCC's Sample of Consumer Loans		Percent of Families in Bank's Assessment Area
	Number	Percent	Percent
Low	4	20%	20%
Moderate	4	20%	19%
Middle	6	30%	24%
Upper	6	30%	37%
Total	20	100%	100%

UNB has a good record of lending to businesses and farms of different sizes. We reviewed a sample of nine recent commercial originations and eleven recent agricultural originations. We determined all these borrowers had annual revenues below \$500,000. In the bank's assessment area, approximately 86 percent of all businesses and farms have annual revenues below \$500,000. The following table shows a detailed breakdown of the annual revenues of borrowers in our sample:

Distribution of UNB's Business and Farm Borrowers				
Annual Revenues	# of Business Loans in Sample	Percent of Business Loans in Sample	# of Farm Loans in Sample	Percent of Farm Loans in Sample
Less Than 50,000	1	11%	0	0%
50,001 - 100,000	1	11%	6	55%
100,001 - 200,000	3	34%	2	18%
200,001 - 300,000	2	22%	2	18%
300,001 - 400,000	2	22%	0	0%
400,001 - 500,000	0	0%	1	9%
Total	9	100%	11	100%

Geographic Distribution of Loans

UNB has a reasonable record of lending to tracts of various income levels within its assessment area. The assessment area does not contain any low-income BNA's. The bank's record of lending within the moderate-income areas reflects the overall composition of the assessment area. The following table shows the results of our geographic analysis:

GEOGRAPHIC DISTRIBUTION OF LOANS (Sample of 33 loans within the bank's assessment area)				
Tract Income Level	CT's/BNA's in Assessment Area	Percent of CT's/BNA's in Assessment Area	Percent of Loans Reviewed (by Number of Loans)	Percent of Loans Reviewed (by Dollar Volume of Loans)
Low	0	0%	0%	0%
Moderate	3	25%	30%	14%
Middle	8	67%	70%	86%
Upper	1	8%	0%	0%
Total	12	100%	100%	100%

Compliance with Antidiscrimination Laws and Regulations

The bank's compliance with fair lending laws and regulations is satisfactory. We did not find any evidence of discriminatory practices.