



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 24, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**University National Bank
Charter #23731**

**1206 South Broadway
Pittsburg, Kansas 66762**

**Comptroller of the Currency
Midwestern District
Kansas City South Field Office
1710 East 32nd Street, Suite H
Joplin, Missouri 64804-4100**

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 University National Bank, Pittsburg, Kansas, as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of January 24, 2001. 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.

- The bank's loans are reasonably distributed to borrowers of various income levels and businesses of various sizes.
- The bank's loan-to-deposit ratio is high based on its competitive environment and the opportunities for loan growth within the assessment area. The loan-to-deposit ratio has averaged 92.34% since the bank opened in January 1999.
- The geographic distribution of credit in moderate-income areas is good.
- A substantial majority of the bank's loans are within its assessment area.
- The bank has received no consumer complaints since the bank opened.

DESCRIPTION OF INSTITUTION

University National Bank is a \$49.9 million dollar bank located in Pittsburg, Kansas. The bank is wholly owned by University National Bancshares, Inc. The holding company is located in Pittsburg, Kansas. Total assets of the holding company, as of September 30, 2000 are \$41.7 million dollars. The bank is the sole asset of the holding company. The bank began operating on January 4, 1999 and currently has two non-deposit taking ATMs; both located in Pittsburg, Kansas. As of December 31, 2000 net loans represented 81% of the bank's assets. Based on the volume of loans originated by loan category since the bank's inception, the primary loan products include residential real estate and commercial loans by dollar volume. Based on the number of loans, the primary loan products are residential real estate and consumer loans. The bank offers a full range of traditional banking products and services to the local community. The bank's focus is primarily on commercial and residential loan products, but it also offers agricultural and other retail types of credit to assist low to moderate-income applicants. The following table details the dollar volume of outstanding loans by loan type.

Loan Portfolio Breakdown as of December 31, 2000		
Loan Type	Dollar Amount (000)	Percent
Construction & Development	2,692	6.7%
1 - 4 Family Residential	20,854	51.5%
Farmland	636	1.6%
Commercial Real Estate	6,521	16.1%
Agriculture Production	523	1.3%
Commercial	4,606	11.4%
Consumer	4,404	10.9%
Other Loans and Leases	220	0.5%
Total	40,456	100%

*Data from the 12/31/2000 Call report.

There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs of its assessment area. This evaluation period is from the bank's opening date of January 4, 1999 to January 24, 2001.

DESCRIPTION OF CRAWFORD COUNTY, KANSAS

The bank's assessment area consists of Crawford County. The 1990 census shows a population of 35,568. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate- income geographies. There are no low-income census tracts in the assessment area. The county has 11 block number areas, 3 moderate-income (27.3%), 7 middle income (63.6%) and one upper income tract (9.1%). Low and moderate-income families represent 22.32% and 18.64% of the county's population, respectively. The updated HUD non-MSA median family income for 2000 for Crawford County is \$41,100. The percentage of 1999 households below the poverty level in the assessment area is 20.79%. The 1999 weighted average of the median housing value is \$31,080 and 59.7% of the housing

are owner occupied units.

Crawford County is experiencing slow growth and development. The 1999 population of the county is estimated to be 36,474, a slight increase over 1990 levels. Pittsburg is the largest city in Southeast Kansas. The State University and small to mid-sized industries influence Crawford County's economy. The largest employers are the university and the school district. The university employs over 1,500 people. Agriculture continues to impact the local economy, but to a lesser degree as the economy diversifies. The local unemployment rate is low at 3%. This low employment figure factors into the community's efforts to attract new industries to the area.

University National Bank holds 8.07% of the deposits of all FDIC-Insured institutions in Pittsburg and ranks 5th out of the custom Peer Bank group in asset size with total assets of \$49.9 million. University National Bank considers the five banks in Crawford County (including one chartered outside Crawford County) to be its primary deposit competitors and Commerce, First State Bank, and Bank of America to be its primary loan competitors. The asset size of these institutions ranges from \$40 million to \$157 billion. Other financial institutions in the assessment area include a credit union and financial service companies such as A. G. Edwards.

One business community contact was made during the examination. The community contact is an economic development organization and is located in the assessment area. The contact indicated area financial institutions meet the credit needs of the community. However, the contact indicated there is a need for low to moderate-income housing. The city of Pittsburg has implemented a new housing code and is offering tax incentives as an inducement to builders for low to moderate-income housing. The community contact said all financial institutions actively support the local industry expansion efforts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Income Levels.

The bank's lending activity to borrowers of different income levels and to businesses of different sizes is reasonable. University National Bank's primary lending products are one to four family residential real estate loans, various types of commercial credit, and consumer loans. The sample of 1999 and 2000 originations shows management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers, as well as, to small businesses.

The table summary of originations by the number of loans to families in each income category is:

Sample of Residential Real Estate Lending Activity by Borrower Income Level			
Borrower Income Level	# of Loans	% of Total Loans	% of Families in Income Category
Low	1	5.0%	22.32%
Moderate	2	10.0%	18.64%
Middle	4	20.0%	24.22%
Upper	13	65.0%	34.82%
Total	20	100.0%	100.00%

Sample of Consumer Lending Activity by Borrower Income Level			
Borrower Income Level	# of Loans	% of Total Loans	% of Families in Income Category
Low	6	26%	22.32%
Moderate	2	9%	18.64%
Middle	5	22%	24.22%
Upper	10	43%	34.82%
Total	23	100%	100.00%

The percentage of residential real estate loans to low and moderate-income applicants is low. Mitigating factors include a high number of households below the poverty level of 21%. Also, management stated many low cost, single family residences in the assessment area are rental units. The 1990 U.S. Census information reflects 32.8% of the housing units in the assessment area are rental units with 28.7% occupied.

Additionally, University National Bank provided information showing the bank's efforts to provide community homebuyer (first time homebuyer) and RECD (Rural Economic Community Development) loans through secondary market options. These products offer 97% and 95% loans to customers who are unable to qualify for conventional mortgage loans due to the down payment requirements. The bank's efforts include 23 loans sold through the secondary market.

The following table reflects the distribution of commercial loans by gross revenue size.

Distribution of Commercial Loans by Revenue Size			
Revenue Size	#	%	% of small business in AA
Borrowers w/revenues < \$1MM	18	90	93.4%
Borrowers w/revenues > \$1MM	2	10	6.6%
Total	20	100	100.0%

Geographic Distribution of Loans

The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The number of business loans in moderate-income tracts is above demographics. The dollar volume of residential real estate loans and the number of business loans are comparable to the demographics.

The following table illustrates our findings:

Distribution by Block Number Area (BNA)													
BNA Designation	# of BNA	Consumer Loans				Residential Loans				Business Loans			
		(#)	(%)	(\$000)	(%)	(#)	(%)	(\$000)	(%)	(#)	(%)	(\$000)	(%)
Moderate-income	3	3	15%	\$ 52	25%	55	21%	\$2,632	16%	7	35%	\$432	40%
Middle-income	7	14	70%	\$125	61%	147	57%	\$8,842	54%	7	35%	\$541	50%
Upper-income	1	3	15%	\$ 29	14%	58	22%	\$4,836	30%	6	30%	\$112	10%
Totals	11	20	100	\$206	100	260	100	\$16,310	100	20	100	\$1,085	100

Demographic information shows 17.19% of the owner occupied housing and 37.6% of small businesses are located in moderate-income areas. There are no low-income areas in the bank's assessment area.

Loan-to-deposit Analysis

The bank's loan to deposit ratio is high based on its competitive environment and the opportunities for loan growth within the assessment area. The bank's loan-to-deposit ratio rose significantly from 79.01% on March 31, 1999 to 108.40% on September 30, 2000. Since the bank's opening, the quarterly loan-to-deposit ratio has averaged 92.34% and is high. This is the highest ratio of the five competitor banks, whose average loan-to-deposit ratios range from 54.83% to 91.27%. These banks include Citizens Bank, N.A., Ft. Scott, First National Bank of Girard, Girard National Bank, Miners State Bank of Frontenac, and Community National Bank of Chanute, Kansas. These banks have facilities in Crawford County and have comparable demographics.

Comparison of Credit Extended Inside and Outside of Assessment Area

A substantial majority of loans are made in the bank's assessment area. Based on a sample of consumer, residential real estate, and commercial loans, the majority of loans originated within the assessment area. The distribution of credit is detailed below:

Loans Originated In/Out of Assessment Area				
Residential Real Estate, Commercial & Consumer Loans	# of loans originated		\$ of loans originated	
Loans within Assessment Area	805	83.9%	\$27,251,950	86.4%
Loans outside the Assessment Area	154	16.1%	\$ 4,277,777	13.6%
Total	959	100.0%	\$31,529,727	100.0%

Compliance with Anti-discrimination Laws and Regulations

The fair lending examination conducted in conjunction with the CRA assessment found no evidence of disparate treatment or discrimination. No violations of anti-discrimination laws were disclosed during this examination.

The fair lending examination scope used the loans terms approach, comparing applicants for conventional home purchase loans within the last twelve months. A file sample compared approved individual female applicants with approved individual male applicants.

Response to Complaints

University National Bank has not received any written complaints regarding its CRA performance since the bank opened on January 4, 1999.