

## **PUBLIC DISCLOSURE**

November 1, 1999

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**United National Bank  
Charter Number 9384**

**702 N. Second Street  
Natoma, Kansas 67651-0040**

**Office of the Comptroller of the Currency  
Kansas City North - Salina Office  
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 (UNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 1, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

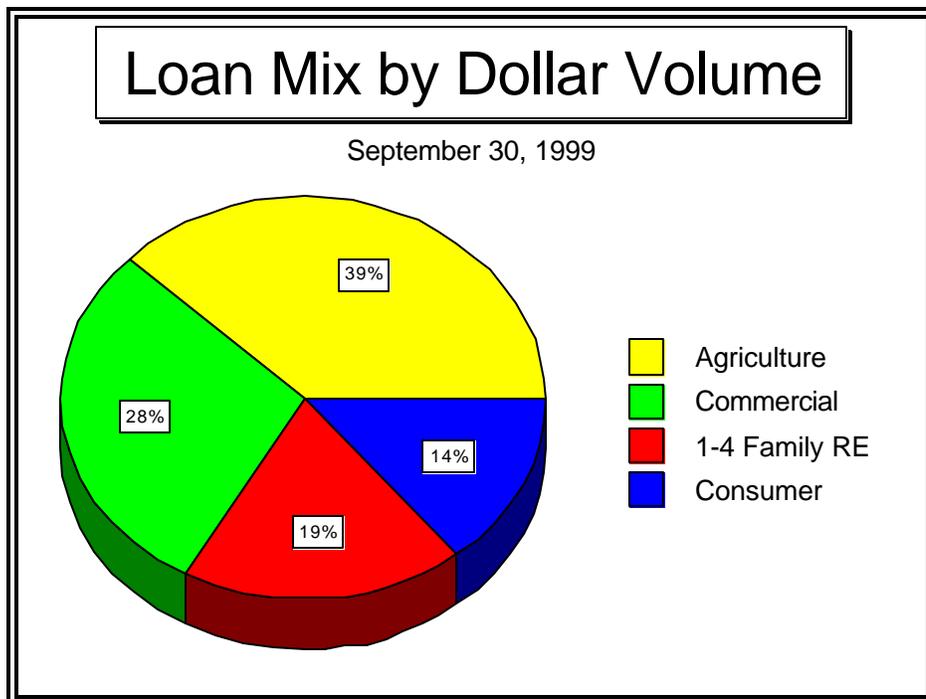
**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory."

UNB's CRA rating is based on the following factors:

- The revenue distribution of the bank's borrowers is reasonable. The bank lends to farms and businesses of various revenue sizes.
- The bank maintains a reasonable loan-to-deposit ratio. A substantial majority of UNB's loan originations benefit borrowers within the assessment area.
- The geographic distribution of loans to borrowers from varying income tracts is reasonable.

## DESCRIPTION OF INSTITUTION

UNB is a \$50 million institution with their main office in Natoma, Kansas. UNB also has one branch and one off-premise ATM located in Russell, Kansas. The bank is owned 99.6 percent by Republic Banchares, Inc., a one-bank holding company. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The institution received a rating of 'Satisfactory Record of Meeting Community Credit Needs' at its last CRA examination dated June 12, 1997. Net loans total \$31 million as of September 30, 1999, and represent 61 percent of total assets. The bank's primary credit products by dollar volume are loans for agricultural and commercial purposes. Since the bank's last CRA examination, loan volume has increased approximately \$5 million. The following table shows the bank's loan composition as a percentage of average gross loans:



## **DESCRIPTION OF ASSESSMENT AREA**

UNB has designated all of Ellis, Russell, Rooks, and Osborne Counties as its assessment area. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. UNB's competition includes nine other banks and one savings and loan chartered within the assessment area. In addition, eight other financial institutions have a branch office presence within the assessment area.

Total population of the assessment area based on 1990 U.S. Census information is 44,745. The assessment area is divided into twelve block numbering areas (BNA), 9726, 9727, 9728, 9729, 9730, 9736, 9737, 9738, 9741, 9742, 9746, and 9747. UNB's main office is located in BNA 9742. Three (or 25 percent) of the BNA's are designated as moderate-income tracts, eight (or 67 percent) as middle-income tracts, and one (or 8 percent) as upper-income tract based on their respective family income levels. Based on 1990 U.S. Census data, the median housing value for the assessment area is \$36,757. The median year that houses were built in the assessment area is 1956. Additional information regarding the bank's assessment area is included in the table on the following page.

The assessment area includes 12,052 families. Approximately 20 percent of the families are designated as low-income, 19 percent are moderate-income, 24 percent are middle-income, and 37 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1999 non-metropolitan updated median family income figure of \$38,700. The Department of Housing and Urban Development estimates the median family income figure on an annual basis.

**DESCRIPTION OF ASSESSMENT AREA (Continued)**

The primary credit needs of the assessment area are for agricultural and commercial purposes. Major agricultural products include grain and cattle production. The trade area's economy is also characterized largely by oil and gas exploration and production. Major employers in the area include Abco Wire, King of the Road, Heartland Hay Company, Great Plains Welding, and several oil drilling and servicing companies.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual is an agricultural resource for area producers. He indicated the primary credit needs of the area are for agricultural and petroleum purposes. Our contact identified no unmet credit needs in the assessment area.

1990 DEMOGRAPHIC INFORMATION FOR UNB'S ASSESSMENT AREA						
Block Numbering Area (BNA)	Income Designation	% of Households Below Poverty Level	Population of BNA	% of Owner-Occupied Housing	Median Housing Value	Median Family Income
9742, 9737, 9729	Moderate	32%	8,449	44%	27,162	22,170
9726, 9727, 9730, 9736, 9738, 9741, 9746, 9747	Middle	14%	29,570	65%	33,247	27,308
9728	Upper	11%	6,726	64%	67,600	38,955
Assessment Area Totals		17%	44,745	61%	36,757	28,262

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Lending to Farms and Businesses of Different Revenue Sizes**

Agricultural Lending:

UNB has a reasonable record of lending to small farms within its assessment area. We reviewed the revenue distribution of 20 agricultural borrowers with loan originations between January 1, and November 1, 1999. Our agricultural sample was compiled by randomly selecting 2 new loans from each month for the last ten months.

## Lending to Farms and Businesses of Different Revenue Sizes (Continued)

Based on our sample of agricultural borrowers, we determined that 50 percent of the farm customers in our sample had gross annual revenues of less than \$50 thousand. We compared the revenue distribution of UNB's agricultural customers to area demographic information obtained from the 1997 Agricultural Census which was conducted by the U.S. Bureau of the Census. UNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics. The following table shows a more detailed analysis of the agricultural borrower revenue distribution:

AGRICULTURAL BORROWER REVENUE DISTRIBUTION Sample of 20 Agricultural Borrowers With Loan Originations Between 1/1/99 and 11/1/99				
Revenue Category	Distribution of UNB's Agricultural Borrowers		Distribution of Farms in UNB's Assessment Area	
	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$49,999	10	50%	1,417	68%
\$50,000 - \$99,000	5	25%	281	14%
\$100,000 - \$249,999	5	25%	259	13%
\$250,000 - 499,999	0	0%	81	4%
\$500,000 - over	0	0%	30	1%
TOTALS	20	100%	2,068	100%

### Small Business Lending:

UNB has a reasonable record of lending to businesses of varying revenue levels within the assessment area. We reviewed the revenue distribution of 20 commercial borrowers with loan originations between January 1, and November 1, 1999. Our commercial sample was compiled by randomly selecting 2 new loans from each month for the last ten months. We determined that 100 percent of these borrowers had gross annual sales of less than \$499 thousand. This compares favorably to business demographic information for UNB's assessment area provided by Dun & Bradstreet. This information was compiled from 2,278 businesses and 154 farms in the assessment area. There were 388 entities that did not report sales information. Of the 2,044 entities that reported sales information, 87 percent had gross annual revenues of less than

**Lending to Farms and Businesses of Different Revenue Sizes (Continued)**

\$500 thousand. The information from Dun & Bradstreet combined businesses and farms in its analysis. Information on businesses alone was not available. While a more detailed breakdown of revenues less than \$500 thousand was not available from Dun & Bradstreet, UNB had reasonable disbursement in smaller revenue categories. The following table shows our analysis of the revenue distribution of commercial borrowers compared to information compiled by Dun & Bradstreet:

<b>COMMERCIAL BORROWER REVENUE DISTRIBUTION</b> Sample of 20 Business Customers With Loan Originations Between 1/1/99 and 11/1/99				
	Distribution of UNB's Commercial Borrowers		Distribution of Businesses and Farms in the Assessment Area as Provided by Dun & Bradstreet	
Gross Sales Category	Number of Borrowers	Percentage	Number of Entities	Percentage
\$0 - \$499,999	20	100%	1,773	87%
\$500,000 - \$999,999	0	0%	130	6%
\$1,000,000 - \$24,999,999	0	0%	133	6.5%
\$25,000,000 and Over	0	0%	8	.5%
<b>TOTALS</b>	<b>20</b>	<b>100%</b>	<b>2,044</b>	<b>100%</b>

**Geographic Distribution of Loans**

UNB has a reasonable record of lending to borrowers within various income tracts. The bank's record of lending within different income tracts reflects the income composition of the assessment area. The assessment area does not contain any low-income tracts, but it does contain three moderate-income tracts. We used a sample of 38 randomly selected borrowers living within the assessment area for the geographical analysis. The following table shows the results of our geographical analysis. UNB's assessment area population is composed of 19 percent moderate income, 66 percent middle income, and 15 percent upper income.

## Geographic Distribution of Loans (Continued)

GEOGRAPHIC INCOME ANALYSIS OF UNB'S ASSESSMENT AREA					
	Number Within UNB's Sample		Total Loan Dollars Within UNB's Assessment Area		Population by Census Tract Category
Tract Category	Number of Borrowers	Percentage	Loan Amount	Percentage	Percentage
Low Income	0	0%	0	0%	0%
Moderate Income	9	24%	\$440,058	40%	66%
Middle Income	29	76%	\$650,395	60%	15%
Upper Income	0	0%	0	0%	0%
TOTALS	38	100%	\$1,090,453	100%	100%

### Loan-to-Deposit Ratio (LTD)

The bank's LTD ratio is reasonable. The bank's overall lending levels are good and reflect a reasonable response to community credit needs given the strong competition within the assessment area. The bank's average loan-to-deposit ratio during the previous nine quarters was 65 percent. The average for the nine other banks chartered within the assessment area is also 65 percent over the same time frame. Each of the banks in our comparison had total assets of less than \$99 million and no branches in metropolitan areas. Quarterly average LTD ratios in the sample ranged from 35 percent to 96 percent. UNB's quarterly average LTD ratio ranked sixth among the ten banks we reviewed.

### Lending in the Assessment Area

A substantial majority of the bank's loan originations are extended to borrowers living within the assessment area. We used bank prepared reports which showed agricultural, commercial, residential real estate, and consumer loans originated between January 1, and November 1, 1999. Our sample was composed of four new loans from each of the last ten months. Approximately 45 percent of the sample were agricultural loans, 28 percent were commercial loans, 17 percent

## Lending in the Assessment Area (Continued)

were consumer loans, and 10 percent were 1-4 residential real estate loans. The sample reasonably simulated UNB's loan portfolio composition. We determined 95 percent of these loan originations, by number, and 96 percent, by dollar volume, were to borrowers within the assessment area. The following table details our analysis of the bank's record of lending in the assessment area:

<b>ASSESSMENT AREA (A.A.) ANALYSIS</b> (Based on 18 Agricultural, 11 Commercial, 4 Residential Real Estate, and 7 Consumer Loans Originated Between 1/1/99 and 11/1/99)				
Type of Loan	# of Loans in A.A.	% of Loans in A.A. (By #)	\$ Volume of Loans in A.A.	% of Loans in A.A. (By \$)
Agricultural	18	100%	\$337,895	100%
Commercial	10	91%	\$567,162	98%
Residential Real Estate	4	100%	\$28,975	100%
Consumer	6	86%	\$156,421	44%
Total Loans in A.A.	38	95%	\$1,090,453	96%

## Compliance with Antidiscrimination Laws and Regulations

UNB has a satisfactory record of compliance with antidiscrimination laws and regulations. During our consumer compliance examination, we found no substantive violations of fair lending laws and no evidence of discriminatory practices.

## Response to Complaints

UNB has not received any written complaints regarding its CRA performance since the previous examination dated June 12, 1997.