



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 14, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

University National Bank of Lawrence
Charter Number 22241

1400 Kasold Drive
Lawrence, KS 66044-0000

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

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.

The major factors supporting the institution's rating include:

- The average loan-to-deposit ratio (LTD) for University National Bank of Lawrence (UNB) is more than reasonable at 99.62 percent.
- The bank's record of lending in its assessment area (AA) during the evaluation period is satisfactory at 78 percent by number and 59 percent by dollar volume.
- Lending to businesses with revenues less than \$1MM is excellent in the Douglas County AA.
- The geographic distribution of 1-4 family residential real estate and commercial loans in low- and moderate- income tracts is reasonable.

SCOPE OF EXAMINATION

We performed a full-scope review covering the time period from January 1, 2008 to March 31, 2010. We evaluated the bank's CRA performance with meeting and serving the community needs within the Douglas County AA. The bank's primary products are 1-4 family residential real estate and commercial loans. We analyzed 2008 and 2009 Home Mortgage Disclosure Act (HMDA) data for the Douglas County AA. We selected a sample of 20 commercial loans to complete our analysis. We also performed a community contact to assess the bank's involvement in serving the community's needs.

DESCRIPTION OF INSTITUTION

The bank had \$111 million in total assets as of December 31, 2009. Net loans comprised \$76 million, representing 78 percent of total assets. The bank is headquartered in Lawrence, Kansas and has one AA. The AA encompasses all of Douglas County and includes one main bank with a deposit-taking ATM located in the Douglas County AA. The bank offers a full range of consumer and commercial lending products. UNB's primary business strategy is commercial lending. The bank received a "Satisfactory" rating at its last CRA examination dated January 3, 2006. There are no legal or financial constraints that impede the bank's CRA efforts. The bank is owned 100 percent by Lawrence Financial Corporation (LFC), a single bank holding company.

DESCRIPTION OF ASSESSMENT AREAS

UNB has designated Douglas County, which is located within the Lawrence Metropolitan Statistical Area (MSA), as its AA. The AA is comprised of one low-income census tract (4 percent), five moderate-income census tracts (23 percent), eleven middle-income census tracts (50 percent), and five upper-income census tracts (23 percent), and meets regulatory requirements.

The University of Kansas is located within the low-income tract and one of the moderate-income tracts. The high student population residing in this area of Lawrence heavily influences the demographics of these tracts. Based on 2000 U.S. Census data, renter-occupied units represent 90 percent of the low-income tracts total housing units. In addition, the percentage of families below the poverty level within the Douglas County AA is 6 percent, with a median home value of \$118 thousand.

The Lawrence population is approximately 100 thousand based on 2000 census figures. In the AA, 18 percent of families are low-income, 19 percent are moderate-income, 25 percent are middle-income, and 38 percent are upper-income. The updated HUD, MSA median family income for 2009 is \$68,500. The percentage of owner-occupied housing is 47 percent, with total occupied rental units at 44 percent and vacant housing units of 4 percent of all housing units in the AA. Lending opportunities continue to be impacted by direct competition from five local financial institutions, in addition to nationally recognized financial institutions. The community contact stated the local financial institutions are generally meeting the needs of the community. However, lending opportunities for affordable housing and more conventional mortgages continue to be a need for Douglas County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable. The quarterly average LTD ratio since the last CRA examination was 99.62 percent. The low and high averages ranged from 85 percent in the second quarter of 2008 to 116 percent in the fourth quarter of 2007. The average LTD ratio of peer banks primarily serving the Douglas County MSA is 82.81 percent.

Lending in Assessment Area

The bank originates a majority of its loans, both by number and dollar amount, within its AAs. According to our loan sample, 78 percent by number, and 59 percent by dollar, were originated within the AAs. It should be noted that the sample included one commercial loan that was \$2.5 million dollars and out of the assessment area. This significantly impacted the in/out ratio by dollar volume. Therefore, the in/out ratio by number better represents the performance.

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

1-4 Family Residential Lending: The borrower distribution of the bank's 1-4 family residential lending is poor. The distribution of loans to low-income borrowers is poor at 4 percent, which is significantly less than demographics. The distribution of loans to moderate-income borrowers is also poor at 11 percent compared to demographics at 19 percent. The volume of lending to low- and moderate-income borrowers continues to be impacted by the large student population that comprises the AA. Many students are typically low wage earners and not in the market for home purchase or refinance loans. The student population is not a significant mitigating factor in the bank's performance. In addition, we considered the fact that 6 percent of families are below the poverty level.

Source: 2009 Census Demographic Data; Bank and examiner generated reports

Borrower Distribution of 1-4 RRE in Douglas County AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Unknown	
Loan Type	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans
Home Purchase		5%		17%		17%		57%		4%
Home Improvement		0%		11%		11%		78%		0%
Refinance *		3%		9%		20%		56%		12%
Total 1-4 RRE	18%	4%	19%	11%	25%	20%	38%	56%	0%	9%

* Refinance loans represent 78 percent of the total number of 1-4 family RRE loans.

Commercial Lending: Performance for commercial lending to businesses with revenues less than \$1 million is excellent. Loans to businesses with revenues less than \$1 million is 95 percent by number and 99 percent by dollar amount. Demographics indicate 76 percent of businesses in the AA have revenues less than \$1 million.

Geographic Distribution of Loans

The distribution of 1-4 family loans in the AA is reasonable. UNB did not make any loans in the low-income tract. However, this is mitigated with less than 1 percent of owner-occupied housing in this tract. Lending in moderate-income tracts is reasonable at 20 percent compared to 17 percent in the moderate-income tract. Four of the five moderate-income tracts are located in or around the downtown Lawrence area and are comprised of older homes with low turnover rates.

Geographic Distribution of RRE in Douglas County AA						
Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans
Home Purchase		14%		41%		45%
Home Improvement		44%		0%		56%
Refinance		18%		30%		53%
Total 1-4 RRE	20%	17%	50%	31%	30%	51%

Source: 2009 Census Demographic Data; Bank and examiner generated reports

The distribution of loans to businesses is reasonable. The volume of lending to businesses in the

low income tract is 1 percent. This is sufficient as only 2 percent of total businesses in the AA are in the low-income tract. The volume of lending to businesses in the moderate-income tracts is 25 percent, which is commensurate with demographics. This data also supports the bank’s standing as primarily a commercial lender.

Geographic Distribution of Loans to Businesses in Douglas County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	2%	1%	27%	25%	44%	45%	27%	29%

Responses to Complaints

The bank 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 that would be inconsistent with helping to meet community credit needs.