



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 3, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The University National Bank of Lawrence
Charter Number 22241**

**1400 Kasold Drive
Lawrence, Kansas 66049**

**Comptroller of the Currency
Kansas City South Field Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204**

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 Satisfactory.

University National Bank's (UNB) lending to borrowers of different incomes and businesses of different sizes is satisfactory.

UNB's lending to borrowers of different income levels and businesses of different sizes is reasonable. Our analysis focused on the bank's primary products of real estate and commercial loans. In the real estate category, we focused on home purchase and refinance loans since they represent the largest number and dollar amount of real estate loans originated during the review period. Our conclusions are based on a review of UNB's CRA efforts from January 1, 2002 to September 30, 2005. We reviewed a random sample of twenty commercial loans originated from January 1, 2004 thru September 30, 2005. Our sample of residential real estate loans included all loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers for 2004 and 2005.

Based upon the above information, the bank regularly originates loans to borrowers of all income levels, although lending to low-income borrowers appears significantly below demographics.

Demographic data from the 2000 census indicates 18% and 19% of families in the assessment area (AA) are designated low- and moderate-income, respectively. Based on the bank's HMDA data for real estate purchase loans in the AA, 6% by number and 3% by dollar were made to low-income borrowers, and 15% by number and 12% by dollar were made to moderate-income borrowers. The HMDA data for refinancing loans in the AA, 3% by number and 2% by dollar were made to low-income borrowers, and 12% by number and 8% by dollar were made to moderate-income borrowers. UNB's performance is reasonable considering they are lending in an AA with a large concentration of students and a high poverty level. The University of Kansas student population is over 22,000. Based on 2000 U.S. Census data, many students are included in the demographics of the census tracts surrounding the University. Many of these students are likely to be lower wage earners, and not typically in the market for home purchase or refinance loans. The poverty level is at 17% of all households in the AA.

Lending for commercial purposes reflects very good performance to borrowers with revenues less than \$1 million by number and dollar. Demographic data from the 2000 census indicates 66% of the businesses in the AA have revenues less than \$1 million, 5% have revenues more than \$1 million, and 30% did not report revenue information. Based on the sample of 20 commercial loans in the AA, 85% by number and 91% by dollar were made to businesses with revenues less than \$1 million. In addition, eighty-five percent of the commercial loans sampled were to businesses with annual revenues under \$500 thousand.

Geographic Distribution of Loans

Overall, UNB's distribution of loans among the various geographies in its AA is reasonable. Based on the bank's primary credit products of home purchase loans, home refinance loans, and commercial loans, adequate penetration in the various census tracts is demonstrated when compared to demographics.

From the HMDA data, there was very little lending in the low-income census tract. However, this reflects the impact the University of Kansas has on this tract. Based on 2000 U.S. Census data, this tract is comprised largely of students and rental housing. Demographics show the composition of the low-income census tract is approximately 96% rental housing units. This limits management's ability to penetrate this area with home purchase and home refinance loans.

Bank lending in moderate-income census tracts is good. Demographics from the 2000 census and 2005 business data indicate that 28% of businesses, 38% of households, and 20% of owner occupied housing are located in moderate-income tracts. HMDA data shows purchase money lending at 20% by number and 13% by dollar and refinancing loans at 23% by number and 17% by dollar in the moderate census tract. The bank's commercial lending, with 25% by number and 26% by dollar, is reasonable in comparison to the percentage of businesses located in the respective census tracts in the AA.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is excellent, considering the competition in the bank's AA. The bank's quarterly average loan-to-deposit ratio since the last evaluation is 105.08%. The quarterly average loan-to-deposit ratio of similarly situated banks during the same period is 70.05%.

Lending in Assessment Area

The bank's record of lending within its AA is satisfactory, as the majority of its primary loan products, both by number and dollar amount, are within its AA. For commercial and residential real estate loans sampled, the bank originated 88% by number and 84% by dollar amount within its AA.

Responses to Complaints

UNB has not received any complaints about its performance in helping to meet the credit needs in the AA during this evaluation period.

We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

University National Bank (UNB) is a \$96 million financial institution owned completely by Lawrence Financial Corporation, a one-bank holding company. The bank's main office is located in Lawrence, Kansas. UNB has one non-depository automatic teller machine, and no branch locations. Net loans represent 95% of total assets according to the September 30, 2005 Report of Condition. UNB offers a full range of lending and deposit services.

As of September 30, 2005, the dollar volume of UNB's loan portfolio consists of 87% real estate

loans, 11% commercial loans, and 2% consumer loans. Thirty-six percent of the real estate portfolio consists of 1-4 family residential mortgages. The main loan products are real estate mortgages (purchase and refinances) and commercial loans.

The bank demonstrates its commitment to reinvesting in the community by participating in several loan programs designed to assist low and moderate-income borrowers and small businesses obtain financing. There are no legal or financial impediments limiting the bank's ability to help meet the credit needs of the community. UNB was rated "Satisfactory" at its last Performance Evaluation dated July 2001.

DESCRIPTION OF ASSESSMENT AREA

UNB has one AA located within the Lawrence Metropolitan Statistical Area (MSA) and delineated as the twenty-two census tracts which cover the city of Lawrence. The AA is comprised of one low-income census tract (4%), five moderate-income census tracts (23%), eleven middle-income census tracts (50%), and five upper-income census tracts (23%) and meets regulatory requirements. The low-income tract and one of the moderate-income tracts include portions of the University of Kansas. 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 96% of the low-income tracts total housing units.

The Lawrence population continues to grow and is approximately 100 thousand based on 2000 census figures. In the AA, 18% of families are low-income, 19% are moderate-income, 25% are middle-income, and 38% are upper-income. The updated HUD, MSA median family income for 2004 is \$60,300. The percentage of owner-occupied housing is 50% with total occupied rental units at 46%, and vacant housing units of 4% of all housing units in the AA.

Major employers within the Lawrence MSA are the University of Kansas, Lawrence Public Schools, and Hallmark Cards. The average unemployment rate for the year 2005 was 3.5%.

UNB faces strong competition within the AA from other financial institutions. Many of the bank's competitors are branches of large financial institutions from the Kansas City and Topeka areas.

During the evaluation, we made one community contact. We contacted a person involved with economic development within the Lawrence area. The contact stated that the primary credit need continues to be affordable housing. According to the contact, housing values have risen over the past few years, thus making it difficult for low and moderate-income residents to afford housing. The contact stated the financial institutions in the area are meeting the credit needs of the community.

Please refer to the bank's CRA Public File for more information.