



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Union National Bank And Trust Company Of Barbourville
Charter Number 13906**

**202 North Main Street
Barbourville, KY 40906**

**Comptroller of the Currency
9200 Shelbyville Road Suite 505
Louisville, KY 40222**

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.

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INSTITUTION'S CRA RATING

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the Union National Bank and Trust Company of Barbourville, Barbourville, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 15, 2003. The agency rates CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This institution is rated Satisfactory.

Major Conclusions:

- The average loan-to-deposit ratio is satisfactory, considering the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects satisfactory penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans is considered excellent, given the community's credit needs and demographics in relation to the bank's location and capacity to lend. There were no conspicuous gaps in lending.

DESCRIPTION OF INSTITUTION

The Union National Bank & Trust Company of Barbourville (UNB&T) is a \$174 million intrastate institution located in Barbourville, Kentucky, approximately 20 miles east of Corbin. UNB&T is wholly owned by Union National Bancorp, Inc., a single bank holding company. The bank has a main office, three full-service branches, and one limited-service branch. All are located in Knox County with four in Barbourville and one in Corbin. All branches, except for the main office, have drive-thru facilities. UNB&T has three Automated Teller Machines (ATM) and three cash dispensers. An ATM is located at the Union Plaza branch, one at the Cumberland Parkway branch, and one at the Corbin Banking Center. A cash dispenser is located at the Tiger Mart, one at the Crossroads Market, and one on the Union College campus.

As of September 30, 2003, the bank's net loan portfolio totals approximately \$132 million, or 75% of average assets. Tier One capital is \$16 million. The loan mix at September 30, 2003 was as follows: commercial and commercial real estate loans 50%, 1-4 family residential mortgages 37%, consumer loans 9%, municipal loans 2%, and other loans 2%.

The bank offers traditional banking services and lending products including many government-sponsored loan programs such as Farmers Home Administration (FmHA), Veterans Administration (VA), Small Business Administration (SBA), Federal Home Loan Bank (FHLB), and Kentucky Housing Corporation (KHC). UNB&T continues to be community oriented and offers a wide variety of loan products including residential real estate, commercial, agricultural, and consumer.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed August 10, 1998. The bank received a rating of Satisfactory. The coverage period for this evaluation is from September 1, 1998 to November 30, 2003.

DESCRIPTION OF KNOX COUNTY

UNB&T's assessment area (AA) is all of Knox County which includes the cities of Barbourville, Kentucky and portions of Corbin, Kentucky. It should also be noted that portions of Corbin are located in Whitley and Laurel Counties. The assessment area appears appropriate in relation to the location of the bank's offices and does not arbitrarily exclude any low- or moderate-income areas.

Knox County is located in the southern portion of Kentucky's Eastern Coal Fields Region. The county lies almost entirely within the Daniel Boone National Forest. The population of Knox County is approximately 29,000 persons. The county is located in a non-metropolitan statistical area and consists of eight Block Numbering Areas (BNAs), with one low-income, one middle-income, and six moderate-income geographies. There are no upper-income BNAs in Knox County. Low-income families comprise a large portion, 39%, or 3,216 of the 8,342 families in the county. The 1990 U.S. Census median family income for a non-MSA in Kentucky is \$36,300. However, the median family income for Knox County is \$15,424. Approximately 37% of the county residents live below the poverty level. Recent unemployment figures reflect the county unemployment rate of 6.4% is above both state and national averages. Local businesses are tied mainly to the services industry, with the retail trade industry also employing a significant portion of the population. The bank's major competition in and around the Knox County area consists of other banks, a credit union, and a residential mortgage company.

We performed one community contact interview during our evaluation. We contacted a member of the Knox County business and labor group. The contact indicated the overall credit needs of the community are being met by local banks.

The following demographic information on the bank's AA in Knox County is based on 1990 census data, unless otherwise indicated.

Type of Information	Knox County	
Population	29,676	
Kentucky HUD Adjusted MSA/Non-MSA Median Family Income – 2002	\$36,300	
Families in AA:		
Income Levels of Families	#	%
Low	3,216	39%
Moderate	1,505	18%
Middle	1,421	17%
Upper	2,200	26%
Total Families within AA	8,342	100%
Median Home Value:	\$34,040	
Median Year Built:	1972	
Businesses in the Assessment Area:		
	#	%
Under \$1 Million Revenue	875	72%
Over \$1 Million Revenue	55	4%
Revenue not reported	289	24%
Total	1,219	100%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given UNB&T's size, financial condition, and assessment area credit needs. The bank's average net loan-to-deposit ratio for the twenty-one quarters since the last CRA evaluation is 89%. Currently, UNB&T's net loan-to-deposit ratio is also 89%. There are no other banks considered similarly situated and comparable to UNB&T in asset size, market, and major lending products operating in the assessment area. UNB&T's ratio is higher than its national peer group, which is 76%.

Lending in Assessment Area

A majority of loans and other lending-related activities are in UNB&T's assessment area. The analysis shows 81% of the number and 72% of the dollar amount of loan originations were to borrowers inside the assessment area. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of loans originated in 2001 and 2002. See table below for details.

LOAN ORIGINATIONS BETWEEN JAN 1, 2001 AND DEC 31, 2002				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	71	81%	\$5,102	72%
Outside the Assessment Area	17	19%	\$1,964	28%
Totals	88	100%	\$7,066	100%

* Source: Random sample of residential real estate, consumer and commercial loans originated in 2001 and 2002.

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

The distribution of loans, given the demographics of the assessment area, reflects satisfactory penetration among individuals of different income levels (including low- and moderate-income borrowers) and businesses of different sizes. To reach this conclusion, the OCC analyzed the bank's lending activity of loans for each of the bank's primary loan types. The primary loan types for this analysis included 1-4 family residential mortgages, consumer, and business loans. See the tables below for details.

Table INC-1 1-4 Family Residential Loans shows the percentage of UNB&T's home purchase and refinance loans to low- and moderate-income borrowers is lower than the percentage of families in the assessment area with low and moderate incomes. Together, low- and moderate-income borrowers still received 31% of the number of 1-4 family residential loans. UNB&T's mortgage lending for the purpose of purchasing or refinancing a home is reasonable considering the identified home mortgage credit needs in the community.

Table INC-1 1-4 Family Residential Loans

1-4 FAMILY RESIDENTIAL LOANS					
Borrower Income Level	Loan Originations Between Jan 1, 2001 and Dec 31, 2002				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	2	9%	\$ 86	6%	39%
Moderate	5	22%	\$ 263	20%	18%
Middle	7	30%	\$ 167	13%	17%
Upper	9	39%	\$ 812	61%	26%
Total	23	100%	\$1,328	100%	100%

* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's assessment area.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Table INC-2 Consumer Loans also shows the percentage of UNB&T's consumer loans to low- and moderate-income borrowers is lower than the percentage of families in the assessment area with low and moderate incomes. However, together, low- and moderate-income borrowers still received a significant percentage (44%) of the number of consumer loans. UNB&T's consumer loan lending is reasonable considering the identified credit needs in the community.

Table INC-2 Consumer Loans

CONSUMER LOANS					
Borrower Income Level	Loan Originations Between Jan 1, 2001 and Dec 31, 2002				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	6	24%	\$ 23	10%	39%
Moderate	5	20%	\$ 29	13%	18%
Middle	8	32%	\$ 65	28%	17%
Upper	6	24%	\$113	49%	26%
Total	25	100%	\$230	100%	100%

* Source: Randomly selected sample of consumer loans originated within the bank's assessment area.

Table INC-3 Business Loans indicates the percentage of UNB&T's business loans extended to companies considered small in size (revenues under \$1 million) exceeds the percentage of businesses in the assessment area with revenues under \$1 million. Of the total number of business loans sampled, 87% were to small businesses. Demographics indicate 72% of all businesses in the assessment area have revenues less than \$1 million. UNB&T's business lending performance is satisfactory considering the demographics of the area.

Table INC-3 Business Loans

BUSINESS LOANS					
Business Income Levels in Revenues	Loan Originations Between Jan 1, 2001 and Dec 31, 2002				Percentage of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
< \$1 Million	20	87%	\$2,517	71%	72%
> \$1 Million	3	13%	\$1,027	29%	4%
Not Reported	0	0%	\$ 0	0%	24%
Total	23	100%	\$3,544	100%	100%

Source: Randomly selected sample of commercial loans originated within the bank's assessment area.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects excellent dispersion throughout the assessment area. UNB&T's lending activity extends throughout the assessment area. Based on random sampling, management has originated loans in all 8 of the BNA's which comprise the assessment area. We did not note any conspicuous gaps in lending. To reach this conclusion, the OCC analyzed the bank's lending activity of loans for each of the bank's primary loan types. The primary loan types for this analysis included 1-4 family residential mortgages (both purchase and refinance), consumer, and business loans. See the tables below for details.

Table GEO-1 1-4 Family Residential Loans shows UNB&T has excellent penetration in making home purchase and refinance loans in the low- and moderate-income census tracts. These geographies contain 78% of all owner-occupied housing in the assessment area. The loans reviewed for UNB&T showed 95% of the number and 99% of the dollar amount of the 1-4 family residential loans were made to borrowers located in the low- and moderate-income census tracts.

Table GEO-1 1-4 Family Residential Loans

Geographic Distribution of 1-4 Family Residential Loans By Geography Income Designation Originated Between January 1, 2001 – December 31, 2002					
Income Level of Census Tracts	1-4 Family Residential Loans				Distribution of Owner Occupied Housing
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Low	1	4%	\$ 13	1%	7%
Moderate	21	91%	\$1,307	98%	71%
Middle	1	4%	\$ 8	1%	22%
Total	23	100%	\$1,328	100%	100%

* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's assessment area.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Table GEO-2 Consumer Loans shows UNB&T has excellent penetration in making consumer loans in the low- and moderate-income census tracts. These geographies contain 78% of all households in the assessment area. The loans reviewed for UNB&T showed 100% of the number and 100% of the dollar amount of the consumer loans were made to borrowers located in the low- and moderate-income census tracts.

Table GEO-2 Consumer Loans

Geographic Distribution of Consumer Loans By Geography Income Designation Originated Between January 1, 2001 – December 31, 2002					
Income Level of Census Tracts	Consumer Loans				Distribution of Households
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Low	3	12%	\$ 19	8%	7%
Moderate	22	88%	\$211	92%	71%
Middle	0	0%	\$ 0	0%	22%
Total	25	100%	\$230	100%	100%

* Source: Randomly selected sample of consumer loans originated within the bank's assessment area.

Table GEO-3 Business Loans shows UNB&T has excellent penetration in making business loans in the low- and moderate-income census tracts. These geographies contain 65% of all businesses in the assessment area. The loans reviewed for UNB&T showed 95% of the number and 89% of the dollar amount of the business loans were made to borrowers located in the low- and moderate-income census tracts.

Table GEO-3 Business Loans

Geographic Distribution of Business Loans By Geography Income Designation Originated Between January 1, 2001 – December 31, 2002					
Income Level of Census Tracts	Business Loans				Distribution of Businesses in the AA
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Low	1	4%	\$ 28	1%	4%
Moderate	21	91%	\$3,116	88%	61%
Middle	1	4%	\$ 400	11%	35%
Total	23	100%	\$3,544	100%	100%

* Source: Randomly selected sample of commercial loans originated within the bank's assessment area.

Responses to Complaints

The Union National Bank and Trust Company has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending Review

An analysis of recent years' public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed as of August 10, 1998. In regards to the loans we reviewed, we found no evidence of illegal discrimination or other illegal credit practices.