Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

November 28, 2016

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

The University National Bank of Lawrence
Charter Number 22241

1400 Kasold Drive
Lawrence, KS 66049

Office of the Comptroller of the Currency

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

Lending performance for The University National Bank of Lawrence (UNB) is satisfactory. Major factors that support this rating are:

- UNB originated a majority of its loans within its assessment area (AA).

- The loan-to-deposit (LTD) ratio reflects reasonable responsiveness to the credit needs of the community.

- Lending activities represent reasonable penetration among individuals of different income levels.

- Lending activities represent reasonable dispersion among geographies of different income levels.

SCOPE OF EXAMINATION

UNB was evaluated under the Small Bank examination procedures, focusing primarily on lending performance. Our objective was to evaluate UNB's CRA performance with meeting and serving the community needs of its AA. We performed a full-scope review covering the time period from January 1, 2014 to September 30, 2016. UNB's business strategy has not changed; therefore, the loans granted during this performance period are representative of all loans granted since the previous CRA examination.

We identified UNB's primary product as 1-4 family residential lending by dollar and number of loans originated during the evaluation period. We based our analysis and conclusions on bank provided data, which we verified during our review. To assess UNB's performance, we selected a random sample of 25 residential real estate loans from UNB's loan trial. The Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) was not used during this examination. We conducted a HMDA Data Integrity review in February 2016 by comparing the LARs to actual loan files. We found the HMDA data not reliable for either 2014 or 2015.

DESCRIPTION OF INSTITUTION

UNB is a $73.5 million community bank located in Lawrence, Kansas. UNB is 100 percent owned by Lawrence Financial Corporation, a single bank holding company. UNB has no other branch locations and has one automated teller machine located at the main location. Management has not opened or closed any branches during the evaluation period.

The institution offers a full range of deposit and loan products and services. As of June 30, 2016, UNB reported net loans of $56 million, equating to 76 percent of total assets. Residential mortgage lending is UNB's primary focus, representing 94 percent of net

loans. There are no legal or financial circumstances that impede UNB's ability to help meet the credit needs of its AA.

UNB received a Satisfactory rating at its last CRA examination dated May 14, 2010.

DESCRIPTION OF ASSESSMENT AREA(S)

UNB has designated Douglas County as its AA. Douglas County is located within the Lawrence Metropolitan Statistical Area. The AA consists of two low-income, five moderate-income, ten middle-income, and five upper-income census tracts with a population of 110,826. Demographic data shows the 2010 median family income is $71,167 and the average median housing value is $48,978. The AA includes 8.09 percent of families below the poverty level. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The local economy remains stable greatly benefiting from the University of Kansas presence, light manufacturing, retail, some agribusinesses, and service industries. Some of the largest employers are University of Kansas, Memorial Hospital, public schools, Hallmark Cards, and city/county government. As of September 2016, the unemployment rate for Douglas County was 3.7 percent. This compares to an unemployment rate of 4.4 percent for the state of Kansas.

We used one recently completed community contact with a local community service organization during this examination to get a sense of the local economic activity and the general credit needs within the AA. Our contact stated the market is very competitive but there are plenty of opportunities for banks to participate in lending, investing and services in Douglas County and the City of Lawrence, Kansas. The contact stated opportunities exist for banks to provide mortgage, home improvement, refinance, small business and community development lending to clients. Our contact saw small business development needs being met but there is a need for entrepreneurship, and startup business lending opportunities in the Lawrence market. Other opportunities mentioned included volunteers for committees and grant dollars.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

UNB's LTD ratio is reasonable given UNB's size, financial condition, and credit needs of the AA. UNB's quarterly net LTD ratio averaged 72.49 percent since the last CRA examination. This compares to a quarterly net LTD ratio for similarly situated banks of 80.56 percent. UNB ranks fourth among a total of five similarly situated banks serving its AA. The other four banks have quarterly average net LTD ratios ranging from 48.65 percent to 101.69 percent.

Lending in Assessment Area

UNB's record of lending to borrowers within its AA is reasonable. A majority of all loans originated are located inside the AA. For the loans sampled, UNB originated 80 percent of its 1-4 family residential loans by number and 74.7 percent by dollar volume within its AA. Refer to Table 1 for more details.

Table 1 - Lending in Douglas County AA									
	Number of Loans					Dollars of Loans			
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Total	20	80.00	5	20.00	25	3,282	74.70	1,112	25.30	4,394

Source: 1-4 Family loan sample

Lending to Borrowers of Different Incomes

The borrower distribution of 1-4 family residential lending reflects a reasonable penetration among individuals of different income levels, given UNB's product offerings and local economic conditions. The distribution of loans to moderate-income families reflects excellent penetration with 25 percent of sampled loans extended to consumers in this income bracket, exceeding the demographic ratio of 16.23 percent. Loans to low-income families is below the demographic ratio of 21.60 percent but is reasonable, given the current poverty level, with 10 percent of sampled loans extended to consumers in this income bracket.

Families below the poverty level within the AA is 8.09 percent and 19.26 percent of individuals in the AA are on social security. The volume of lending to low- and moderate-income borrowers also continues to be impacted by the large student population in the AA, as students typically have lower wage jobs and are not seeking home loans. The 2015 student population for University of Kansas was 28 thousand students. This equates to 26 percent of the total population of the AA. Please refer to Table 2 for more details.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Douglas County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family RE	21.60	10.00	16.23	25.00	21.87	15.00	40.3	50.00

Source: 1-4 Family RE loan sample and 2010 U.S. Census data

Geographic Distribution of Loans

The geographic distribution of 1-4 family residential lending in the AA shows reasonable dispersion. UNB's lending to low-income census tracts show excellent dispersion with 5 percent of sampled loans exceeding the demographic ratio of 2.25 percent. The dispersion of loans within the moderate-income geographies reflects poor dispersion with

5 percent of sampled loans being significantly lower than the demographic ratio of 16.14 percent.

The low performance in moderate-income tracts is mitigated by four out of the five moderate- income tracts being located in or around the downtown Lawrence area. The last income tract is located around the Lawrence airport. These industrial/commercial areas provide few owner-occupied housing opportunities. The downtown area is also comprised of older homes with low turnover rates. Please refer to Table 3 for more details.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Douglas County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Family RE	2.25	5.00	16.14	5.00	50.96	45.00	30.65	45.00

Source: 1-4 Family RE loan sample and 2010 U.S. Census data

Responses to Complaints

This criterion is not applicable. Neither UNB nor the OCC has received written complaints about UNB's performance in helping meet the credit needs of its AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by UNB or FSA, or in any AA by an affiliate whose loans have been considered as part of UNB's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.