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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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## **PUBLIC DISCLOSURE**

February 22, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Western National Bank  
Charter Number 22906**

**9500 Lackman Road  
P.O. Box 14608  
Lenexa, Kansas 66285-4608**

**Office of the Comptroller of the Currency  
Kansas City North Field Office  
6700 Antioch Road, Suite 450  
Merriam, Kansas 66204-1277**

**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 CRA performance of **Western National Bank (WNB)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, **as of February 22, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

We based WNB's CRA rating on the following factors:

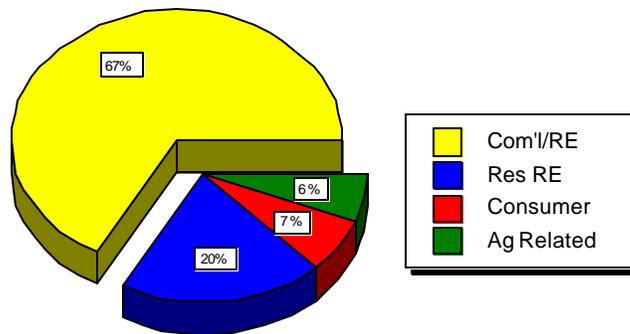
- ♀ The revenue distribution of WNB borrowers is reasonable. The bank lends to businesses of various revenue sizes. WNB's has a reasonable record of lending to residential real estate borrowers with low- and moderate-income levels.
- ♀ The bank maintains a reasonable loan-to-deposit ratio. A majority of WNB's loan originations benefit borrowers within its two assessment areas.

***DESCRIPTION OF INSTITUTION***

Western National Bank (WNB) is a \$78 million financial institution located in Lenexa, Kansas. After its merger with Peoples National Bank of Burlington, Kansas (PNB) in July of 1998, WNB has one full service branch and one drive-up facility in Burlington, Kansas. The bank has one automatic teller machine (ATM) at the main office in Lenexa and two ATMs in Burlington. Unison Bancorp, Inc., a one-bank holding company headquartered in Lenexa, owns 100% of the bank’s assets. WNB is primarily an originator of commercial loans. This lending focus is consistent with the bank’s business plan. As of December 31, 1998, net loans represented 52% of total assets. The composition of

**Loan Portfolio Composition**

by Dollar Outstanding as of 12/31/98



WNB’s \$41 million loan portfolio is as follows:

The bank offers a limited variety of residential real estate and consumer loans in Johnson County. General consumer and residential real estate loans are available on an accommodation basis for the bank’s business customers. The bank’s Burlington office routinely originates all types of loans. There are no legal constraints, financial conditions, or other factors that hinder the bank’s ability to help meet the credit needs of its assessment area.

We reached our conclusions regarding the bank’s CRA performance based on lending activities at all locations from the last Public Evaluations through March 1999. WNB and PNB both received a “Satisfactory Record of Meeting Community Credit Needs” rating at the last CRA examinations dated December 4, 1997 and April 18, 1997, respectively.

***DESCRIPTION OF ASSESSMENT AREA(S)***

WNB’s assessment area consists of two communities. One assessment area is Johnson County, which surrounds the bank’s main office in Lenexa. The other is Coffey County, which surrounds the bank’s two offices in Burlington. Both assessment areas meet the requirements of the CRA regulation and do not arbitrarily exclude low-income or moderate-income areas.

## Johnson County Assessment Area

Johnson County is the fastest growing county in the Kansas City Metropolitan Area. The economy is strong with low unemployment. Services, retail trade, finance, insurance, and real estate are the lead industries. Sprint, J.C. Penney, Shawnee Mission School District, Black & Veatch, and United Parcel Service are the area's largest employers. The following table provides demographic information about the assessment area.

<b>JOHNSON COUNTY ASSESSMENT AREA DEMOGRAPHICS</b>	
<b>Census Tracts (CT) Summary</b>	
Total number of CTs:	75
Income designation of CTs by percent: middle-income	39%
Income designation of CTs by percent: upper-income	61%
<b>Population Summary</b>	
Total Population	355,054
Percent of population unemployed	1.79%
Total Households	136,699
Percent of households below poverty level	3.98%
<b>Income Summary</b>	
1998 updated HUD MSA Median Family Income*	\$52,600
Percent low-income families	8.04%
Percent moderate-income families	12.57%
Percent middle-income families	21.99%
Percent upper-income families	57.40%
<b>Housing Information Summary</b>	
Total housing units	144,155
Median housing value	\$96,321
1-4 Family units	80.62%
Percent owner occupied units	65.67%

\* HUD = U.S. Department of Housing and Urban Development  
MSA = Metropolitan Statistical Area

Coffey County Assessment Area

Coffey County is a small rural community located approximately 80 miles from Kansas City. The City of Burlington is the county seat with a population of approximately 3,000. Services and retail trade are the major industries in the community. The economy is stable. Wolf Creek Generating Station is the area's largest employer. It employs approximately 1,000 workers. Several other residents commute daily to Emporia, Topeka, Ottawa, and Kansas City for employment opportunities. The following table provides demographic information about this assessment area.

<b>COFFEY COUNTY ASSESSMENT AREA DEMOGRAPHICS</b>	
<b>Block Numbering Areas (BNA) Summary</b>	
Total number of BNAs: 9961, 9962, 9963	3
Income designation of BNAs by percent: all are middle-income	100%
<b>Population Summary</b>	
Total Population	8,404
Percent of population unemployed	2.57%
Total Households	3,333
Percent of households below poverty level	12.00%
<b>Income Summary</b>	
1998 updated HUD Non-MSA Median Family Income*	\$38,200
Percent low-income families	17.40%
Percent moderate-income families	18.74%
Percent middle-income families	25.08%
Percent upper-income families	38.77%
<b>Housing Information Summary</b>	
Total housing units	3,712
Median housing value	\$33,093
1-4 Family units	82.62%
Percent owner occupied units	68.94%

\* HUD = U.S. Department of Housing and Urban Development  
MSA = Metropolitan Statistical Area

Several financial institutions in both assessment areas provide heavy competition for the bank. There are approximately 40 state or national banks with charters or branch offices in Johnson County. There are 6 state or national banks with charters or branch offices in Coffey County. Several other financial institutions also operate in both counties. Based upon information from the bank about its primary competitors, we identified nine banks to compare against Western National Bank. In Johnson County, the total assets of comparison banks range from \$112 million to \$387 million. In Coffey County, the total assets of comparison banks range from \$19 million to \$49 million. Review the Loan to Deposit Ratio Analysis section of this Evaluation for a listing of the banks used for comparison purposes.

We used information obtained from one community contact made during this evaluation and summary information obtained during prior examinations by this agency and other bank regulators to identify community credit needs. The contacts consisted of city and county officials. We confirmed the primary credit needs of the assessment areas as small business, commercial, and residential real estate loans. Affordable housing and down payment assistance programs are additional credit needs in Coffey County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### *Lending to Businesses of Different Sizes and Borrowers of Different Income Levels*

WNB has a reasonable record of lending to businesses of different sizes and borrowers of different income levels in both assessment areas. We reviewed a sample of 57 commercial and 30 residential real estate borrowers that had loans originated since the last CRA examinations. We chose the sample products based upon the primary credit needs of the assessment areas and loan volumes at the bank. Examiners determined the sample size for each assessment area based upon the prorata share of loans outstanding at each location as of February 17, 1999. A total for all loans originated since the last CRA examinations was not available. Review the comments below for a discussion about lending performance in each assessment area.

#### Johnson County

The bank's record of lending to commercial businesses of different sizes in Johnson County is reasonable compared to area demographics. Of the 49 loans in the Johnson County portion of the sample, 30 are in the bank's assessment area. The revenue distribution is shown below:

<b>JOHNSON COUNTY COMMERCIAL REVENUE DISTRIBUTION</b>				
Revenue Levels	Sampled Loans in AA			Area Demographics of 16,174 Businesses
	By Dollar	By Number	By % of Number	
< \$1,000,000	5,359,878	17	57%	68%
> \$1,000,000	3,778,185	13	43%	12%
No income reported	0	0	0%	20%
<b>Total</b>	<b>9,138,063</b>	<b>30</b>	<b>100%</b>	<b>100%</b>

The bank's record of lending to residential real estate borrowers of different income levels in Johnson County compares favorably to area demographics. Of the 8 residential real estate loans in the Johnson County portion of the sample, 6 were in the bank's assessment area. The income distribution of the borrowers is shown in the table below. The income levels are based upon the updated 1998 median family income of \$52,600 for Johnson County.

<b>JOHNSON COUNTY RESIDENTIAL REAL ESTATE BORROWER INCOME DISTRIBUTION</b>				
Income Levels	Sampled Loans in AA			Area Demographics of 98,746 Families
	By Dollar	By Number	By % of Number	
Low-income	108,000	1	16.7%	8.0%
Moderate-income	115,000	1	16.7%	12.6%
Middle-income	110,000	1	16.6%	22.0%
Upper-income	254,000	3	50%	57.4%
<b>Total</b>	<b>587,000</b>	<b>6</b>	<b>100%</b>	<b>100%</b>

Coffey County

The bank's record of lending to commercial borrowers of different sizes in Coffey County compares favorably to area demographics. Of the 8 loans in the Coffey County portion of the sample, all are in the bank's assessment area. The revenue distribution is shown below:

<b>COFFEY COUNTY COMMERCIAL REVENUE DISTRIBUTION</b>				
<b>Revenue Levels</b>	<b>Sampled Loans in AA</b>			<b>Area Demographics of 294 Businesses</b>
	<b>By Dollar</b>	<b>By Number</b>	<b>By % of Number</b>	
<b>&lt; \$1,000,000</b>	276,299	7	88%	75%
<b>&gt; \$1,000,000</b>	140,000	1	12%	8%
<b>No income reported</b>	0	0	0%	17%
<b>Total</b>	<b>416,299</b>	<b>8</b>	<b>100%</b>	<b>100%</b>

The bank's record of lending to residential real estate borrowers of different income levels in Coffey County compares similarly to area demographics. Of the 22 residential real estate loans included in the Coffey County portion of the sample, 21 were in the bank's assessment area. The income distribution of the borrowers in our sample is shown in the table below. The income levels are based upon the updated 1998 median family income of \$38,200 for Coffey County.

<b>COFFEY COUNTY RESIDENTIAL REAL ESTATE BORROWER INCOME DISTRIBUTION</b>				
<b>Income Levels</b>	<b>Sampled Loans in AA</b>			<b>Area Demographics of 2,396 Families</b>
	<b>By Dollar</b>	<b>By Number</b>	<b>By % of Number</b>	
<b>Low-income</b>	90,524	4	19.0%	17.4%
<b>Moderate-income</b>	94,500	3	14.3%	18.7%
<b>Middle-income</b>	184,700	5	23.8%	25.1%
<b>Upper-income</b>	492,967	9	42.9%	38.8%
<b>Total</b>	<b>862,691</b>	<b>21</b>	<b>100%</b>	<b>100%</b>

Since the last CRA examination of PNB, the Burlington office originated six loans totaling \$138 thousand through its internally developed "Affordable Housing Loan Program." The program allowed 100% financing and higher debt/income qualifying ratios to make it easier for low-income and moderate-income borrowers to qualify for home loans. The bank discontinued this program during the last half of 1998. The bank now makes referrals to a bank in Wamego, Kansas and a mortgage company in Kansas City that participate in Affordable Housing Programs. The bank offers home loan settlement services and assists the applicant in preparing loan information.

### *Lending in Assessment Area(s)*

A majority of WNB's loan originations are extended to borrowers living or conducting commercial businesses within the bank's assessment areas (AA). We initially reviewed a sample of 30 commercial and 30 residential real estate (RE) loans originated since the last CRA examinations. We based the sample upon the lending volumes of the bank's two major loan types as of February 17, 1999. We expanded the sample to include 27 additional loans to commercial borrowers to ensure the accuracy of the bank's lending performance. We used information compiled by the bank for the expanded sample after verifying the accuracy of the information.

Based on the sample, the bank originated 38 commercial loans totaling \$9.6 million and 27 residential RE totaling \$1.4 million in the AA. By number, the bank originated 67% of the commercial loans and 90 percent of the residential RE loans in the AA. By dollar, the bank originated 59% of the commercial loans and 78% of the residential RE loans in the AA. The table below shows the number and dollar amount of sampled loans in each assessment area.

<b>Lending in the Assessment Areas</b>				
Assessment Area	# of Loans Inside the AA		\$ Volume of Loans Inside the AA (in Thousands)	
	# of Loans	% of Loans	\$ of Loans	% of Loans
<b>Distribution of Commercial Loans</b>				
<b>Johnson County</b>	30	61%	9,138	58%
<b>Coffey County</b>	8	100%	416	100%
<b>Total</b>	<b>38</b>	<b>67%</b>	<b>9,554</b>	<b>59%</b>
<b>Distribution of Residential Real Estate Loans</b>				
<b>Johnson County</b>	6	75%	587	66%
<b>Coffey County</b>	21	95%	863	89%
<b>Total</b>	<b>27</b>	<b>90%</b>	<b>1,450</b>	<b>78%</b>

### *Loan to Deposit Ratio Analysis*

WNB's quarterly average loan to deposit ratio (LTD) is reasonable in relation to its size, financial condition, and the credit needs of the assessment areas. We calculated the bank's quarterly average LTD ratio since the last CRA examination to determine the adequacy of its lending activity. Based upon information from the bank about its primary competitors, we compared WNB's LTD ratio to nine other financial institutions operating in the assessment areas. The table on the next page lists the banks in the comparison group by total assets and LTD ratio.

***Loan to Deposit Ratio Table***

Bank Name	Total Assets As of 12/31/98	LTD Ratio As of 12/31/98	Quarterly Average LTD 12/97 to 12/98
<b>Johnson County</b>			
Exchange NB	\$283,384	87.89	85.99
First Commercial Bank, NA	\$111,941	84.06	80.31
The FNB of Olathe	\$387,244	46.89	50.69
Premier Bank	\$119,817	44.99	50.03
<b>Coffey County</b>			
The FNB of LeRoy	\$19,084	79.48	81.93
The State Bank of Lebo	\$18,989	76.13	78.00
The Citizens State Bank of Gridley	\$48,543	67.23	67.76
FNB of Kansas in Burlington	\$40,224	47.31	46.74
Farmers State Bank of Aliceville	\$25,434	34.92	44.19
<b>The Bank's LTD Ratio (adjusted for merger)</b>			
Western National Bank	<b>\$77,787</b>	<b>60.04</b>	<b>53.48</b>

WNB's quarterly average LTD ratio for the past five quarters was 53 percent. The comparison group's quarterly average LTD ratios range from 44 percent to 86 percent. WNB ranked sixth in the comparison group.

***Record of Compliance with Anti-discrimination Laws***

WNB has a satisfactory record of compliance with the substantive provisions of anti-discrimination laws and regulations. During our consumer compliance examination, we found no evidence of discrimination or disparate treatment. We found two technical errors on adverse action notices.

***Geographic Distribution of Loans***

We did not perform an analysis of the geographic distribution of loans. This analysis is performed if one or more BNAs or census tracts in the bank's assessment areas is designated as a low- or moderate-income geography. The bank's assessment areas do not have low- or moderate-income census tracts or BNAs.

***Response to Complaints***

WNB has not received any written complaints regarding its CRA Performance during this evaluation period.