

PUBLIC DISCLOSURE

October 16, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union Bank
Certificate Number: 14158

20 Main Street
Morrisville, Vermont 05661

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	10
STATE OF VERMONT	11
DESCRIPTION OF INSTITUTION’S OPERATIONS IN VERMONT.....	11
SCOPE OF EVALUATION - VERMONT.....	11
CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT.....	11
NON-METROPOLITAN STATISTICAL AREA, VERMONT ASSESSMENT AREA – FULL-SCOPE REVIEW	14
BURLINGTON-SOUTH BURLINGTON, VERMONT METROPOLITAN STATISTICAL AREA – LIMITED-SCOPE REVIEW.....	25
NEW HAMPSHIRE	28
DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW HAMPSHIRE	28
SCOPE OF EVALUATION – NEW HAMPSHIRE.....	32
CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE	32
APPENDICES	39
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	39
SUMMARY OF RATINGS FOR RATED AREAS	40
GLOSSARY	41

INSTITUTION RATING

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

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Outstanding.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans are in the institution's assessment areas.
- The geographic distribution reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects excellent penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this consideration did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

Background

Union Bank (UB) is a \$1.3 billion community bank headquartered in Morrisville, Vermont (VT). UB is a wholly owned subsidiary of Union Bankshares, Inc. The bank received an “Outstanding” rating at its previous FDIC Performance Evaluation dated March 23, 2020 using Interagency Intermediate Small Institution (ISI) examination procedures. The bank received a Lending Test rating of “Outstanding” and a Community Development Test rating of “Outstanding.”

Operations

UB operates 18 branches and 3 loan production offices (LPOs) in VT and New Hampshire (NH). The 14 VT branches are located in Caledonia (3), Chittenden (3), Franklin (2), Lamoille (5), and Washington counties. The four NH branches are located in Coos and Grafton (3) counties. The VT LPOs are located in Caledonia and Chittenden counties. The NH LPO is located in Carroll County. All branches have a full-service Automated Teller Machine (ATM). Additionally, the bank operates three full-service and five cash-only standalone ATMs. Since the previous evaluation, UB closed the Danville, VT and North Woodstock, NH full-service branches (May 2020); converted the St. Johnsbury, VT branch to a commercial LPO (July 2021); and opened a full-service branch in Shelburne, VT (October 2021). These activities had no implication on low- or moderate-income census tracts.

The bank is primarily a residential and commercial lender, but also offers consumer and agricultural loans. During the evaluation period, the bank offered United States (U.S.) Department of Agriculture Rural Development, Vermont Housing Finance Administration (VHFA), New Hampshire Housing Finance Authority, Federal Housing Administration, and Department of Veteran Affairs loans. As a Small Business Association (SBA) preferred lender, UB offers SBA 7(a) loans and SBA 504 loans. The bank originated SBA Paycheck Protection Program (PPP) loans in 2020 and 2021 in response to the COVID-19 Pandemic. The PPP was part of the Coronavirus Aid, Relief, and Economic Security Act and offered to provide businesses with access to low-interest forgivable loans. Loan proceeds assisted with payroll and other business-related costs during the pandemic. SBA discontinued the PPP in mid-2021.

In addition to credit products, the bank offers consumer and commercial deposit services including checking, savings, money market, individual retirement accounts, certificates of deposit, and sweep accounts. Alternative banking services include internet, mobile, and telephone banking; person-to-person payments; and remote deposit capture. UB also offers trust and advisory services.

Ability and Capacity

As of September 30, 2023, UB reported total assets of \$1.4 billion, a 60 percent increase from the prior evaluation. The bank reported approximately \$1.0 billion in total loans, a 52 percent increase from the prior evaluation and \$249 million in total securities, representing a 181 percent increase. Deposits totaled \$1.2 billion, an increase of 64 percent since the prior evaluation. The following table illustrates the bank’s loan portfolio.

Loan Portfolio Distribution as of 09/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	102,404	10.0
Secured by Farmland	1,770	0.2
Secured by 1-4 Family Residential Properties	407,694	39.6
Secured by Multifamily (5 or more) Residential Properties	102,924	10.0
Secured by Nonfarm Nonresidential Properties	285,718	27.7
Total Real Estate Loans	900,510	87.5
Commercial and Industrial Loans	41,125	4.0
Agricultural Production and Other Loans to Farmers	324	0.0
Consumer Loans	2,184	0.2
Obligations of State and Political Subdivisions in the U.S.	85,879	8.3
Other Loans	106	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	393	0.0
Total Loans	1,029,735	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

UB designated three assessment areas, including two in VT and one in NH. Based on 2020 U.S. Census data, the three assessment areas consist of 143 census tracts throughout northern VT and north-central NH. Based on information collected during the 2020 U.S. Census, the Federal Financial Institution Examination Council (FFIEC) in 2022, released updates to the Metropolitan Statistical Areas (MSA) and Metropolitan Divisions, states, counties, census tracts, and income level indicators. These updates resulted in census tract income designations and demographic data changing from 2021 to 2022. Specifically, the reclassifications resulted in three fewer low-income census tracts and one less moderate-income census tract. Prior to these changes, the 2015 American Community Survey (ACS) data determined census tract income designations and the three assessment areas consisted of 113 census tracts.

In addition to an overall rating, the evaluation assigned separate ratings for bank performance in both VT and NH. The evaluation also includes separate discussions and conclusions for each of the three assessment areas, which follow:

- Non-Metropolitan Statistical Area, VT (Non-MSA, VT)
- Burlington-South Burlington, VT MSA
- Non-MSA, NH

Since the prior evaluation, the bank expanded its Non-MSA, VT and Non-MSA, NH assessment areas. In the Non-MSA, VT assessment area, the bank added Essex County, in its entirety. In the

Non-MSA, NH and as it had already included portions of Coos County, the bank added the remaining municipalities in Coos County.

Please refer to the state and individual assessment areas for more details including demographic and economic data and reclassifications resulting from the updates.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the last evaluation, dated March 23, 2020, to the start of the current evaluation, dated October 16, 2023. Examiners used ISI examination procedures to evaluate UB’s performance. These procedures include the Lending Test and the Community Development Test.

The bank’s performance in VT received significant weight in determining the overall rating. As the bank is headquartered in VT and a substantial majority of the bank’s branches and loan volume are in VT, examiners performed a full-scope review of the Non-MSA, VT. Examiners conducted a limited-scope review of the Burlington-South Burlington, VT MSA assessment area, as the previous examination included a full-scope review with no concerns and there were no significant changes to the assessment area.

The following table illustrates the distribution of census tracts and branches by assessment area:

Description of Assessment Areas			
Assessment Areas	Counties in Assessment Areas	# of CTs	# of Branches
Non-MSA, VT	Caledonia, Essex, Lamoille, Orleans, and Washington	50	9
Burlington–South Burlington, VT MSA	Chittenden, Franklin, and Grand Isle	54	5
Non-MSA, NH	Coos and Grafton	39	4
Total		143	18

Source: Bank Data

UB’s CRA performance in NH received much less weight than its CRA performance in VT for determining the overall rating. The bank made fewer loans and has significantly fewer branches and deposits in NH compared to VT. Examiners performed a full-scope review of the NH Non-MSA given an expanded area and increased volume.

Activities Reviewed

Examiners determined the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of originations during the evaluation period. Home mortgage and small business loans received equal weight in the overall Lending Test conclusions for all three assessment areas.

Examiners analyzed home mortgage loans reported on the bank’s Home Mortgage Disclosure Act (HMDA) loan application registers for 2020, 2021, and 2022. UB originated 1,465 HMDA loans totaling \$345.3 million in 2020, 1,313 HMDA loans totaling \$325.2 million in 2021, and 739

HMDA loans totaling \$219.3 million in 2022. The decline from 2021 to 2022 is due to the high interest rate environment, which reduced the demand for residential loans. Examiners compared the bank's 2020 and 2021 performance to aggregate lending data and 2015 ACS demographic data. Examiners compared the bank's 2022 performance to aggregate lending data and the 2020 U.S. Census demographic data. Although examiners analyzed 2020 home mortgage lending performance, 2020 performance was similar to 2021 and 2022 performance; therefore, this evaluation does not present 2020 performance under the Geographic Distribution and Borrower Profile criteria. However, examiners presented the bank's 2020 lending activity under the Lending Inside and Outside of the Assessment Areas criterion. This evaluation also presented 2021 and 2022 home mortgage lending performance under Geographic Distribution and Borrower Profile criteria. Examiners presented 2021 for trend analysis and 2022 because it was the most recent year for which aggregate data was available. The Lending Inside and Outside of the Assessment Areas table presents 2020, 2021, and 2022 HMDA data.

As an ISI, the bank is not required to collect or report small business or small farm loan data. Although the bank did not report its small business or small farm loan data, it collected relevant CRA information. Examiners based their small business analysis on a random statistical sample of small business loans originated in 2021 and 2022 to draw conclusions about small business lending. The total universe of small business originations included 270 loans in 2021 and 137 loans in 2022. The samples include 59 originated small business loans totaling \$9.6 million in 2021, and 47 loans totaling \$8.5 million in 2022. The total universe of small business loans was higher in 2021 than 2022 due to significant PPP lending in 2021. The Lending Inside and Outside of the Assessment Areas table presents the sampled 2021 and 2022 small business lending activity.

This evaluation also presented Geographic Distribution and Borrower Profile data for the sampled 2021 and 2022 small business loans. Examiners did not compare the bank's performance to aggregate data, as the bank is not a CRA data reporter. However, they reviewed aggregate small business lending activities to gauge loan demand, but did not include a comparison to aggregate activities in the presentation. The evaluation compared the small business lending activity to 2021 and 2022 D&B data. For small farm lending, this evaluation presented the bank's 2020, 2021, and 2022 performance under the Lending Inside and Outside of the Assessment Areas criterion. However, this evaluation did not present lending performance under Geographic Distribution and Borrower Profile for 2020, 2021, and 2022. Given the limited loan volume (six loans), this does not allow for meaningful analysis of this loan type, nor does it materially affect Lending Test conclusions.

Examiners obtained demographic and economic information referenced in the evaluation from the 2015 ACS, 2020 U.S. Census Bureau, D&B, Moody's Analytics, the U.S. Bureau of Labor Statistics, and FDIC data. Examiners also obtained information from the September 30, 2023, Report of Income and Condition (Call Report).

Examiners reviewed the bank's community development loans, investments, and services from the prior evaluation to current evaluation dated October 16, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's Lending Test performance is rated Outstanding. The bank's performance in VT and NH is consistent with this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the assessment areas credit needs. UB maintained a ratio below that of comparable institutions selected based on asset size, lending portfolio, and geographic location. The LTD during the evaluation period, calculated from Call Report data, averaged 83.5 percent over the past 14 quarters from March 23, 2020 to October 16, 2023. The ratio ranged from a high of 88 percent to a low of 72 percent over 14 consecutive quarters. The influx of new deposits due to pandemic-related federal stimulus programs attributed to the fluctuations. UB's LTD has been increasing.

LTD Ratio Comparison		
Bank	Total Assets as of 09/30/2023 (\$000s)	Average Net LTD Ratio (%)
Union Bank	1,395,141	83.5
Northway Bank	1,352,605	90.6
Northfield Savings Bank	1,446,742	89.0
Passumpsic Savings Bank	862,974	95.4

Source: Reports of Condition and Income 03/20/2020 – 09/30/2023

Assessment Area Concentration

A substantial majority of loans are in the institution's assessment areas. UB made a substantial majority of its home mortgage, small business, and small farm loans overall, by number and dollar amount, within its assessment areas. The bank experienced a decline in mortgage lending from 2020 through 2022, due to the rising interest rate environment resulting in reduced demand for mortgage lending. Additionally, the small business lending volume declined from 2021 to 2022 due to the high volume of PPP loans in 2021 and the program ceasing in May 2021.

The following table illustrates the bank's lending inside and outside the assessment areas.

Lending Inside and Outside of the Assessment Areas											
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Home Mortgage											
2020	1,385	94.5	80	5.5	1,465	326,569	94.6	18,708	5.4	345,277	
2021	1,228	93.5	85	6.5	1,313	303,701	93.4	21,504	6.6	325,205	
2022	662	89.6	77	10.4	739	189,404	86.4	29,884	13.6	219,288	
Subtotal	3,275	93.1	242	6.9	3,517	819,674	92.1	70,096	7.9	889,770	
Small Business											
2021	51	86.4	8	13.6	59	7,467	77.6	2,151	22.4	9,618	
2022	31	66.0	16	34.0	47	4,576	53.7	3,949	46.3	8,525	
Subtotal	82	76.2	24	23.8	106	12,043	65.7	6,100	34.4	18,143	
Small Farm											
2020	1	100.0	0	0.0	1	23	100.0	0	0.0	23	
2021	2	100.0	0	0.0	2	692	100.0	0	0.0	692	
2022	2	100.0	0	0.0	2	737	100.0	0	0.0	737	
Subtotal	5	100.0	0	0.0	5	1,452	100.0	0	0.0	1,452	
Total	3,362	92.7	266	7.3	3,628	833,169	91.5	76,196	8.5	909,365	

Source: HMDA Reported Data; Bank Data

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment areas. The bank's performance is consistent throughout VT and NH. Please refer to the state and assessment area evaluations for more detail.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment areas, excellent penetration among individuals of different income levels and businesses of different sizes. The bank's performance is consistent throughout VT and NH. Please refer to the state and assessment area evaluations for more detail.

Response to Complaints

UB did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The bank's Community Test performance is rated Outstanding. UB's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. UB demonstrates leadership in responding to lending and service opportunities. Conclusions on overall performance are consistent with performance in VT and NH. Please refer to the state and assessment area evaluations for more information.

Community Development Loans

UB originated 105 community development loans totaling \$157.6 million during the evaluation period. Community development loans represent 11.2 percent of average total assets and 18.4 percent of average total loans. This level of community development lending is a significant increase from the 82 loans totaling \$26.7 million at the prior evaluation and exceeds the performance of similarly situated institutions. A majority of the community development lending supported Revitalization or Stabilization efforts. These activities are responsive to the assessment areas’ needs and opportunities. The following tables illustrate the bank’s community development lending by area, year, and purpose. Please refer to the state and assessment area evaluations for more detail and specific examples.

Community Development Lending										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
VT	0	0	12	23,700	18	13,043	56	85,731	86	122,474
NH	0	0	1	590	14	32,477	4	2,050	19	35,117
Total	0	0	13	24,290	32	45,520	60	87,781	105	157,591

Source: Bank Data

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	3	5,553	9	5,046	23	43,177	35	53,776
2021	0	0	5	6,357	10	18,921	15	19,326	30	44,604
2022	0	0	3	5,305	12	8,753	12	14,541	27	28,599
2023 YTD	0	0	2	7,075	1	12,800	10	10,737	13	30,612
Total	0	0	13	24,290	32	45,520	60	87,781	105	157,591

Source: Bank Data

Qualified Investments

UB made 126 qualified investments totaling approximately \$15.9 million. This includes 31 equity investments totaling approximately \$15.7 million and 95 qualified grants and donations totaling approximately \$303,000. Of the investments and donations, the bank made 3 qualified investments and 1 qualified dotation totaling approximately \$8.0 million that benefitted a broader regional area. The dollar amount of qualified investments represents 1.3 percent of average total assets and 7.8 percent of average total securities since the last CRA evaluation. This is a significant increase from 95 qualified investments totaling approximately \$10.5 million at the previous evaluation and exceeds similarly situated institutions also rated outstanding. The bank demonstrated its strong responsiveness to the assessment areas’ needs and opportunities as a majority of its qualified investments support affordable housing efforts. The following tables represent qualified investments by area, year, and purpose.

Qualified Investments										
Overall Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
VT	29	6,546	58	117	1	2	18	1,115	106	7,780
NH	6	126	5	3	5	70	0	0	16	199
Regional Activities	3	8,000	1	1	0	0	0	0	4	8,001
Total	38	14,672	64	121	6	72	18	1,115	126	15,980

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	2,238	0	0	0	0	0	0	5	2,238
2020	6	3,760	0	0	3	40	3	152	12	3,952
2021	1	3,000	0	0	2	30	4	399	7	3,429
2022	5	5,592	0	0	0	0	1	416	6	6,008
2023 YTD	1	48	0	0	0	0	0	0	1	48
Subtotal	18	14,638	0	0	5	70	8	967	31	15,675
Qualified Grants & Donations	20	34	64	121	1	2	10	148	95	305
Total	38	14,672	64	121	6	72	18	1,115	126	15,980

Source: Bank Data

The following is an example of a qualified investment that benefitted a regional area:

- In 2022, the bank made a \$2.0 million equity investment in an organization that funds low- and moderate-income housing projects across VT, NH, and Maine (ME).

Community Development Services

During the evaluation period, bank employees provided 1,732 hours of financial expertise or technical assistance to 33 organizations. Of the 1,732 hours, 1,279 hours benefitted the VT assessment areas, and 317 hours benefitted the NH assessment area. Additionally, 136 community development services hours benefitted affordable housing initiatives within the regional area. The number of organizations assisted declined since the previous evaluation; however, the bank's performance is comparable to that of similarly rated institutions. During the prior evaluation, the bank assisted 40 organizations. The bank demonstrated its strong responsiveness to the assessment area's community development services as a majority of its services supported Revitalization or Stabilization efforts. The following tables represent qualified services by area, year, and purpose.

Community Development Services					
Overall Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
VT	85	381	6	807	1,279
NH	61	9	247	0	317
Regional Activities	136	0	0	0	136
Total	282	390	253	807	1,732

Source: Bank Data

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total Hours
	#	#	#	#	#
2020	82	143	102	573	900
2021	89	129	91	110	419
2022	111	112	60	124	407
2023 YTD	0	6	0	0	6
Total	282	390	253	807	1,732

Source: Bank Data

The following is an example of a community development service that supports a regional area:

- Two employees served as Board members and committee members for the regional non-profit, Evernorth. The organization provides affordable housing services to low- and moderate-income individuals across VT, NH, and ME. Evernorth maintains more than 13,000 affordable homes across the region.

UB maintains 3 branches in low- or moderate-income census tracts and 11 branches in underserved and/or designated disaster census tracts. Further, two full-service and four cash-only ATMs are in underserved and/or designated disaster census tracts. All of these locations assist low- and moderate-income individuals' access to retail banking services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

STATE OF VERMONT

CRA RATING FOR THE STATE OF VERMONT: OUTSTANDING

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT

UB operates 14 branches and 2 LPOs in the VT-rated area. The VT-rated area contains 104 census tracts and includes the Non-MSA, VT and Burlington-South Burlington, VT MSA assessment areas. Please refer to each assessment area evaluations for more details, including demographic and economic data.

SCOPE OF EVALUATION - VERMONT

Please refer to the overall Scope of Evaluation section for products reviewed, timeframe, and weighting of products and rationale.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT

LENDING TEST

The bank's Lending Test performance is rated Outstanding in VT. The bank's performance in the Non-MSA, VT and Burlington-South Burlington, VT MSA assessment areas is consistent with this conclusion. The following sections discuss the bank's statewide performance under each criterion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion in VT. The bank's performance in both assessment areas is consistent with this conclusion.

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank's performance in both assessment areas is consistent with this conclusion.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance is rated Outstanding. UB demonstrated excellent responsiveness to the community development needs of VT through community development loans, qualified investments, and community development services. The institution's performance in the Non-MSA, VT assessment area is excellent, consistent with this conclusion. The bank's performance in the limited-scope Burlington-South Burlington, VT MSA assessment area is inconsistent with this conclusion; however, the performance in this area holds less weight when drawing overall conclusions.

Community Development Loans

UB originated 86 community development loans totaling \$122.5 million in VT. Performance in this area increased from 60 loans totaling \$18.1 million at the previous evaluation. The following table illustrates the bank’s community development lending activity by assessment area and purpose.

Community Development Lending VT										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA, VT	0	0	12	23,700	9	7,026	56	85,731	77	116,457
Burlington-South Burlington, VT MSA	0	0	0	0	7	5,755	0	0	7	5,755
Statewide Activities	0	0	0	0	2	262	0	0	2	262
Total	0	0	12	23,700	18	13,043	56	85,731	86	122,474
<i>Source: Bank Data</i>										

The following are the two qualified community development loans benefitting the statewide area.

- The bank originated two loans totaling \$262,000 to a small freightliner business operating within VT. The funds helped create two low-to-moderate income jobs for a small business, supporting economic development.

Qualified Investments

UB made 106 qualified investments totaling approximately \$7.8 million in VT, including approximately \$3.7 million in statewide activities. This dollar amount includes 15 qualified equity investments totaling approximately \$3.8 million and 77 donations totaling \$281,000. Performance in the VT-rated area increased from 79 qualified investments totaling approximately \$7.1 million at the previous evaluation. The following table illustrates the bank’s qualified investment activity by assessment area and purpose.

Qualified Investments VT										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA, VT	17	2,580	39	95	1	2	15	777	72	3,454
Burlington-South Burlington, VT MSA	4	231	13	11	0	0	3	338	20	580
Statewide Activities	8	3,736	6	10	0	0	0	0	14	3,746
Total	29	6,547	58	116	1	2	18	1,115	106	7,780
<i>Source: Bank Data</i>										

The following is an example of a qualified investment that supported the statewide area:

- In 2023, the bank made a \$900,000 equity investment in an affordable housing tax credit program. This program provides affordable housing and down-payment assistance to low- and moderate-income individuals throughout VT.

Community Development Services

During the evaluation period, UB employees provided 1,279 hours of financial expertise or technical assistance to 33 community development-related organizations in VT. This reflects a decline since the previous evaluation, as the pandemic resulted in limited in-person community development service opportunities. Despite the decline, UB's performance exceeded that of similarly situated institutions also rated outstanding. The following table illustrates the bank's qualified community development services by assessment area and purpose.

Community Development Services VT					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA, VT	62	355	6	807	1,230
Burlington-South Burlington, VT MSA	23	26	0	0	49
Statewide Activities	0	0	0	0	0
Total	85	381	6	807	1,279
<i>Source: Bank Data</i>					

Please see the respective assessment area section for examples.

NON-METROPOLITAN STATISTICAL AREA, VERMONT ASSESSMENT AREA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-MSA, VT ASSESSMENT AREA

UB operates nine branches in the Non-MSA, VT assessment area. The assessment area includes Caledonia, Essex (added in October 2023), Orleans, and Washington counties. The assessment area consists of 50 census tracts, an increase of 4 census tracts since the previous evaluation. Additionally, the 2020 U.S. Census data resulted in the addition of four moderate-income census tracts. Prior to the release of 2020 U.S. Census data and based on the 2015 ACS data, the 46 census tracts consisted of no low-income and 6 moderate-income census tracts.

For the period of July 7, 2023 through July 21, 2023, Chittenden, Lamoille, and Washington Counties qualified as Federal Emergency Management Agency disaster areas due to significant flooding.

Economic and Demographic Data

Based on the 2020 U.S. Census data, the 50 census tracts reflect the following income designations:

- 10 moderate-income census tracts
- 30 middle-income census tracts
- 10 upper-income census tracts

The moderate-income census tracts are located in Caledonia County (3), Essex County (3), Orleans County (3), and Washington County. This assessment area also includes 13 underserved middle-income geographies in Lamoille County (6) and Orleans County (7). With the 2020 U.S. Census data changes, the number of underserved geographies in Lamoille County increased from five to six and in Orleans County, decreased from eight to seven.

The following table illustrates select demographic characteristics of the Non-MSA, VT assessment area.

Demographic Information of the Assessment Area						
Non-MSA, VT						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	0.0	20.0	60.0	20.0	0.0
Population by Geography	149,298	0.0	18.9	61.6	19.5	0.0
Housing Units by Geography	84,098	0.0	20.0	60.7	19.3	0.0
Owner-Occupied Units by Geography	46,526	0.0	17.5	63.8	18.7	0.0
Occupied Rental Units by Geography	16,732	0.0	24.5	53.3	22.2	0.0
Vacant Units by Geography	20,840	0.0	22.1	59.7	18.2	0.0
Businesses by Geography	19,839	0.0	16.6	52.4	31.0	0.0
Farms by Geography	1,290	0.0	13.3	66.8	19.8	0.0
Family Distribution by Income Level	38,764	21.7	18.9	21.6	37.7	0.0
Household Distribution by Income Level	63,258	24.3	16.3	18.6	40.8	0.0
Median Family Income Non-MSAs - VT		\$77,189	Median Housing Value			\$213,531
			Median Gross Rent			\$889
			Families Below Poverty Level			8.0%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Owner-occupied housing units indicate the opportunity institutions have to originate 1-4 family residential mortgage loans. Based on 2020 U.S. Census data, there are 84,098 housing units in the assessment area. Of these, 55.0 percent are owner-occupied, 19.9 percent are occupied rental units, and 24.7 percent are vacant units. As shown in the previous table, 17.5 percent of occupied units are in moderate-income tracts as compared to 24.5 percent of rental units. Additionally, 22.1 percent of vacant units are in moderate-income tracts as compared to 59.1 percent in middle-income tracts. This data suggests there is reduced opportunity for lenders to originate 1-4 family residential mortgages in moderate-income geographies.

The Borrower Profile criterion compares the distribution of home mortgage loans to the percentage of low- and moderate-income families. Demographic data shows 21.7 percent of families in the assessment area are low-income including 8.0 percent under the poverty threshold and 18.9 percent of families are moderate-income. The data suggests that low-income families may face difficulties qualifying for a home mortgage and supporting a monthly payment. Specifically, low-income borrowers in the assessment area, making \$42,850, or less, may face challenges qualifying for a conventional mortgage with a median home value of \$213,531.

Examiners used the FFIEC's updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges Non-MSA, VT				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$78,800)	<\$39,400	\$39,400 to <\$63,040	\$63,040 to <\$94,560	≥\$94,560
2022 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840

Source: FFIEC

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area have declined significantly since 2020. Although unemployment has declined overall, Orleans County remains above the national average at 4.4 percent and Lamoille County is comparable to the national average at 3.4 percent. High unemployment rates in Orleans and Lamoille Counties indicate an obstacle for individuals to qualify for a home mortgage loan.

Unemployment Rates			
County	2020	2021	2022
	%	%	%
Caledonia County	6.0	4.0	3.1
Essex County	7.7	4.0	3.1
Lamoille County	7.8	4.3	3.4
Orleans County	7.7	5.0	4.4
Washington County	4.9	3.3	2.4
State	5.7	3.7	2.6
National Average	8.1	5.3	3.6

Source: U.S. Bureau of Labor Statistics

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenues (GAR). According to 2021 D&B data, there were 17,309 non-farm businesses within the Non-MSA, VT assessment area. Of these, 85.9 percent have GARs of \$1 million or less, 4.3 percent have GARs of more than \$1 million, and 9.8 percent have unknown revenues. The distribution of businesses by GARs was similar in 2022. Specifically, the 2022 D&B data show there were 19,839 non-farm businesses within the Non-MSA, VT assessment area. Of these, 88.3 percent have GARs of \$1 million or less, 3.4 percent have GARs of more than \$1 million, and 8.3 percent have unknown revenues. Service companies represent the largest portion of businesses at 34.8 percent; followed by retail trade, 10.0 percent; finance, insurance and real estate, 8.7 percent; construction, 7.4 percent; and manufacturing at 3.3 percent. In addition, 93.2 percent of businesses have nine or fewer employees and 92.4 percent operate from a single location. Major employers include University of Vermont Medical Center, University of Vermont, Jay Peak Resort, and Smugglers' Notch Resort.

Competition

The bank operates in a competitive market for financial services. According to 2021 FDIC Deposit Market Share data, 15 financial institutions operated 60 branches in the Non-MSA, VT assessment area. UB ranked 5th with a market share of 11.6 percent. The top two lenders were Peoples United Bank followed by TD Bank. According to 2022 FDIC Deposit Market Share data, 15 financial

institutions operated 59 branches in the Non-MSA, VT assessment area. Of these institutions, UB ranked 2nd with 15.3 percent deposit market share. Community National Bank ranked first with an 18.6 percent deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2021, 185 lenders made 6,075 mortgage loans within the Non-MSA, VT assessment area. UB ranked 1st, with a market share of 11.0 percent. Rocket Mortgage followed, with a market share of 9.4 percent. In 2022, 194 lenders made 6,731 mortgage loans within the Non-MSA, VT assessment area. UB ranked 3rd, with a market share of 6.7 percent. The top two lenders, North Country Federal Credit Union and Vermont State Employee Credit Union, account for 22.6 percent of the market.

As previously referenced in the Scope of the Evaluation section, UB is not required to report its small business data. Therefore, the small business loan analysis under the Lending Test does not include comparisons of the bank's small business lending activity to aggregate lending data. However, since aggregate data reflects the level of demand for small business loans, it is included to illustrate loan competition. UB faces a high level of competition for small business loans from national and other community banks. In 2021, 71 lenders originated 3,587 small business loans for approximately \$128.5 million in this assessment area. American Express (1st) with a 17.6 percent market share, Northfield Savings Bank (2nd) with a 14.0 percent market share, JPMorgan Chase (3rd) with 11.7 percent market share, Capital One (4th) with an 8.9 percent market share, and People's United Bank (5th) with a 5.8 percent market share are the top five lenders. This data indicates a high level of competition for small business lending.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what types of credit and community development opportunities are available.

Examiners contacted a statewide small business assistance organization. The organization provides professional expertise and guidance to small business owners from idea inception to post-venture. The contact noted they offer special programs designed to assist female entrepreneurs, family businesses, minority groups, and young Vermonters looking to start their own business. The contact stated two major concerns with the area are limited affordable housing for entrepreneurs seeking to open a business in VT and the availability of seasonal and cyclical financing to meet the unique needs of a tourism-heavy market. Additionally, the contact stressed the need for financial literacy programs for small business owners and high school students. Further, the contact emphasized a need for education programs to provide bookkeepers with the knowledge necessary to use small business software like QuickBooks.

The contact stated that post-pandemic, small business owners' expectations for grants has increased; however, access has declined. More businesses have assumed more and increasing debt, preventing businesses from paying down its debt. In July 2023, as a large portion of the state became a disaster area due to extreme flooding, many businesses struggled financially due to their reduced ability to

assume additional debt post-COVID-19. The organization assisted small businesses in partnership with the SBA's Disaster Team.

The contact emphasized that there are opportunities for financial institutions to provide financial literacy for small businesses and to support affordable housing development.

Credit and Community Development Needs and Opportunities

Based on the information provided by the community contact, bank management, and demographic data, examiners determined that affordable housing and innovative or flexible small business loans are the primary credit needs in the assessment area. Community development needs include services providing financial literacy courses for small business owners, low- and moderate-income borrowers, and high school students. During the review period, PPP loans and UB's disaster recovery-related community development activities were particularly responsive.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA, VT ASSESSMENT AREA

LENDING TEST

UB demonstrated excellent performance under the Lending Test within the Non-MSA, VT assessment area. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent performance of home mortgage lending primarily supports this conclusion. The assessment area does not contain any low-income census tracts.

Home Mortgage

The geographic distribution of home mortgage loans reflects excellent distribution throughout the assessment area.

In 2021, the bank's level of lending in moderate-income census tracts exceeded demographic data and aggregate performance. In 2022, lending in the moderate-income tracts decreased slightly and was less than demographics and aggregate.

Market share data provides further context surrounding bank performance. Specifically, in 2021, the bank ranked 1st of 82 lenders that originated at least one loan in a moderate-income geography with a 17.1 percent market share. Continuing that positive trend, in 2022, UB was the highest ranked community bank with a 9.3 percent market share and an overall market rank of 2nd out of 79 lenders that originated or purchased at least one home mortgage loan in a moderate-income tract. The following table depicts the distribution of home mortgage loans in the assessment area for 2021 and 2022.

Geographic Distribution of Home Mortgage Loans						
Non-MSA, VT						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
Moderate						
2021	13.9	11.0	114	17.1	20,695	11.5
2022	17.5	17.4	56	15.9	10,074	11.0
Middle						
2021	69.6	63.0	461	69.0	94,812	64.7
2022	63.8	60.9	242	68.8	63,762	69.4
Upper						
2021	16.5	26.1	93	13.9	30,998	21.2
2022	18.7	21.7	54	15.3	18,092	19.7
Totals						
2021	100.0	100.0	668	100.0	146,505	100.0
2022	100.0	100.0	352	100.0	91,927	100.0
<i>Source: 2015 ACS and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The geographic distribution of sampled 2021 and 2022 small business loans reflects reasonable dispersion throughout the assessment area. In 2021, lending in moderate-income census tracts was relatively consistent with demographic data, but in 2022, fell below demographics. However, as previously stated, the bank recently added Essex County to its assessment area resulting in an increase in the number of moderate-income geographies from seven to ten and the percentage of businesses from 12.2 percent to 16.6 percent, respectively. The following table depicts distribution of small business loans in the assessment area for 2021 and 2022.

Geographic Distribution of Small Business Loans					
Non-MSA, VT					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	0.0	0	0.0	0	0.0
2022	0.0	0	0.0	0	0.0
Moderate					
2021	12.2	3	10.3	260	10.0
2022	16.6	1	5.0	82	3.0
Middle					
2021	64.6	21	72.4	1,595	61.1
2022	52.4	11	55.0	1,113	40.3
Upper					
2021	23.2	5	17.2	755	28.9
2022	31.0	8	40.0	1,568	56.8
Totals					
2021	100.0	29	100.0	2,610	100.0
2022	100.0	20	100.0	2,763	100.0
<i>Source: 2021 & 2022 D&B Data; Bank Data; "" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent penetration of home mortgages among individuals of different income levels primarily supports this conclusion.

Home Mortgage

The distribution of borrowers reflects excellent penetration among individuals of different income levels. As shown in the following table, UB exceeded aggregate performance for low-income borrowers in 2021 and significantly exceeded aggregate in 2022. The bank trailed demographics among low-income borrowers for both years; however, 8 percent of families have incomes below the poverty threshold and are likely to have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median home value of \$213,531. This limits the opportunity that lenders have to make loans to low-income individuals. Moreover, UB ranked 2nd of 49 lenders in lending to low-income borrowers in 2021 with an 11.9 percent market share. UB continued this trend in 2022, ranking 2nd out of 52 lenders among low-income borrowers with a 10.5 percent market share. Additionally, UB is the highest ranked community bank in terms of lending to low-income borrowers.

In 2021 and 2022, the bank's level of lending to moderate-income borrowers consistently exceeded aggregate and demographic data. Additionally, the bank ranked 1st of 84 lenders with a 14.2

percent market share in 2021. In 2022, UB ranked 2nd out of 79 lenders with a 9.3 percent market share. UB was the highest ranked community bank in lending to moderate-income borrowers for both years.

Distribution of Home Mortgage Loans by Borrower Income Level						
Non-MSA, VT						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	20.5	5.1	37	5.5	3,598	2.5
2022	21.7	7.9	36	10.2	3,676	4.0
Moderate						
2021	18.4	17.7	153	22.9	23,074	15.8
2022	18.9	19.0	77	21.9	10,864	11.8
Middle						
2021	22.4	20.9	192	28.7	35,026	23.9
2022	21.6	22.3	79	22.4	14,732	16.0
Upper						
2021	38.6	44.0	254	38.0	72,014	49.2
2022	37.7	40.5	141	40.1	42,820	46.6
Not Available						
2021	0.0	12.2	32	4.8	12,793	8.7
2022	0.0	10.3	19	5.4	19,837	21.6
Totals						
2021	100.0	100.0	668	100.0	146,505	100.0
2022	100.0	100.0	352	100.0	91,927	100.0
<i>Source: 2021 ACS and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects reasonable penetration of loans among businesses of different sizes. In 2020 and 2021, the bank’s percentage of sampled loans to businesses with GARs of \$1 million or less was lower than demographics. However, the bank’s small business lending included a significant number of loans in the “Revenue Not Available” category during 2021. This is due to the bank participating in the SBA’s PPP. Under the PPP, banks were not required to collect revenue information. The large number of loans with “Revenue Not Available” reduces the percentage of loans made to businesses with GARs of \$1 million or less, but does not indicate adverse performance by the bank.

When excluding the loans with unknown GARs, in 2021, 5 or 55.6 percent of the bank’s loans were to businesses with GARs of \$1 million or less. In 2022, the number of sampled loans to small businesses nearly doubled, while the percentage of loans decreased to 45.0 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Non-MSA, VT					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	85.9	5	17.2	910	34.9
2022	87.6	9	45.0	509	18.4
>\$1,000,000					
2021	4.3	4	13.8	1,093	41.9
2022	3.6	11	55.0	2,254	81.6
Revenue Not Available					
2021	9.8	20	69.0	607	23.3
2022	8.8	0	0.0	0	0.0
Totals					
2021	100.0	29	100.0	2,610	100.0
2022	100.0	20	100.0	2,763	100.0
<i>Source: 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

UB originated 77 loans totaling approximately \$116.5 million in the Non-MSA, VT assessment area. Reflecting the bank's strong commitment to meeting the community development needs of this assessment area, this level of activity reflects a significant increase since the prior evaluation. During that evaluation, the bank made 42 community development loans totaling approximately \$13.8 million.

Community Development Lending Non-MSA, VT										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	3	5,553	3	2,752	19	41,127	25	49,432
2021	0	0	4	5,767	0	0	15	19,326	19	25,093
2022	0	0	3	5,305	6	4,274	12	14,541	21	24,120
YTD 2023	0	0	2	7,075	0	0	10	10,737	12	17,812
Total	0	0	12	23,700	9	7,026	56	85,731	77	116,457

Source: Bank Data

The following are examples of qualified community development loans benefitting the Non-MSA, VT assessment area.

- In 2020, the bank originated a PPP loan for \$2.3 million to a mental health services agency. The loan provided support during the COVID-19 pandemic to ensure individuals received continued critical health services and helped retain employees for a business located in an underserved census tract.
- In 2021, the bank originated a \$2.0 million loan to a hospital, which provides essential medical services in an underserved area.
- In 2022, the bank originated a loan for \$2.8 million to construct 19-unit and 16-unit properties and refinance a 9-unit property. This project is in an underserved middle-income tract.

Qualified Investments

UB made 72 qualified investments totaling approximately \$3.5 million within the Non-MSA, VT assessment area. This includes 11 equity investments totaling approximately \$3.2 million and 61 donations totaling \$268,000. This level of activity increased from the prior evaluation, during which the bank had 60 qualified investments totaling approximately \$2.8 million. A majority of the qualified investments and donations supported affordable housing, which was an identified need within the assessment area. The following table illustrates the bank's community development qualified investment activity by year and purpose.

Qualified Investments Non-MSA, VT										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	1,009	0	0	0	0	0	0	3	1,009
2020	1	85	0	0	0	0	3	152	4	237
2021	0	0	0	0	0	0	1	61	1	61
2022	2	1,462	0	0	0	0	1	416	3	1,878
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Subtotal	6	2,556	0	0	0	0	5	629	11	3,185
Grants & Donations	11	24	39	95	1	2	10	148	61	269
Total	17	2,580	39	95	1	2	15	777	72	3,454

Source: Bank Data

The following are examples of qualified community investments benefitting the Non-MSA, VT assessment area.

- In 2022, the bank made a \$562,000 equity investment in the VHFA. This investment benefitted its Affordable Housing Tax Credit Down Payment Assistance Program. The program’s purpose is to create and retain affordable housing for low-income individuals.
- In 2021, the bank made a \$61,476 equity investment in the Craftsbury Public House. This investment related to upgrades to the building façade and general improvements to bring the building up to code, in association with Downtown and Village Center Tax Credit programs. These programs aim to improve conditions in an underserved census tract.

The following are examples of qualified donations in the Non-MSA, VT assessment area.

- In 2020, the bank donated \$31,250 to Copley Hospital, a medical facility located in an underserved, middle-income, census tract. Copley Hospital provides medical services to the community, regardless of an individual’s ability to pay.
- In 2023, the bank donated \$5,000 to the Cambridge Regional Health Center. The donation assisted the Cambridge Regional Health Center's in meeting its mission to provide rental office space to medical businesses in order to ensure health care access to Cambridge and surrounding towns’ residents.

Community Development Services

During the evaluation period, UB employees provided 1,230 hours of financial expertise or technical assistance to 12 community development-related organizations in the Non-MSA, VT assessment area. This represents a decrease of 879 hours for 26 community development-related organizations from the previous evaluation. This decrease is partially due to limited opportunity created by COVID-19 in 2020 and part of 2021. However, the bank outperformed similarly situated institutions and showed an upward trend in 2022. The following table illustrates the bank’s qualified community development services by year and purpose.

Community Development Services Non-MSA, VT					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	10	137	0	573	720
2021	20	106	6	110	242
2022	32	106	0	124	262
YTD 2023	0	6	0	0	6
Total	62	355	6	807	1,230
<i>Source: Bank Data</i>					

The following are examples of qualified community development services benefiting the Non-MSA, VT assessment area.

- Lamoille Economic Development Corp is a county sponsored, non-profit corporation that promotes revitalization and stabilization throughout underserved Lamoille County. The organization provides grants, marketing assistance, business training, and lending and financial support for entrepreneurs in Lamoille County. During the evaluation period, two bank employees held positions with the organization, one as a board member and the other as treasurer. The bank’s services helped promote revitalization and stabilization in an underserved census tract.
- Lamoille Housing Partnership (LHP) is a 501(c)(3) non-profit affordable housing developer. LHP develops, rehabilitates, and maintains safe, decent, energy efficient affordable housing through rental, home ownership, or other means to low- and moderate-income persons and families living within Lamoille County and Hardwick. Specifically, the organization develops income-eligible, affordable rental housing for households considered low- and moderate-income that earn 30 to 120 percent of the area median income. During the evaluation period, one bank employee served as a board member. The bank’s services helped promote affordable housing for low- and moderate-income individuals.

BURLINGTON-SOUTH BURLINGTON, VERMONT METROPOLITAN STATISTICAL AREA – LIMITED-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN BURLINGTON- SOUTH BURLINGTON, VT MSA ASSESSMENT AREA

UB operates five branches in the Burlington–South Burlington, VT MSA assessment area. The assessment area includes Chittenden, Franklin, and Grand Isle counties.

Economic and Demographic Data

Based on the 2020 U.S. Census data, the assessment area contains 54 census tracts consisting of 1 low-income, 10 moderate-income tracts, and 2 NA census tracts. This represents an increase of 7 census tracts since the previous evaluation. Based on the 2015 ACS data, the 47 census tracts included 1 low- and 11 moderate-income census tracts. In addition to an increase in the number of

census tracts, the 2020 U.S. Census data also reclassified one moderate-income census tract to a middle-income census tract.

The low-income census tract is located in Chittenden County. The moderate-income tracts are located in Chittenden County (6) and Franklin County (4). The following table illustrates select demographic characteristics of the Burlington-South Burlington, VT MSA assessment area.

Demographic Information of the Assessment Area						
Burlington-South Burlington, VT MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	54	1.9	18.5	51.9	24.1	3.7
Population by Geography	225,562	2.3	18.5	58.5	19.7	1.0
Housing Units by Geography	98,488	2.3	19.2	60.2	17.2	1.1
Owner-Occupied Units by Geography	59,134	1.1	14.8	67.1	16.8	0.2
Occupied Rental Units by Geography	29,365	5.5	28.2	43.7	19.5	3.2
Vacant Units by Geography	9,989	0.7	19.2	67.6	12.3	0.3
Businesses by Geography	33,445	1.7	17.2	50.8	29.2	1.2
Farms by Geography	1,404	1.1	12.1	66.0	20.7	0.2
Family Distribution by Income Level	52,398	19.8	17.7	23.5	39.0	0.0
Household Distribution by Income Level	88,499	24.2	16.2	17.9	41.7	0.0
Median Family Income MSA - 15540 Burlington-South Burlington, VT MSA		\$95,011	Median Housing Value			\$294,269
			Median Gross Rent			\$1,248
			Families Below Poverty Level			5.2%

*Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.*

Median Family Income Ranges				
Burlington-South Burlington, VT MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$95,900)	<\$47,950	\$47,950 to <\$76,720	\$76,720 to <\$115,080	≥\$115,080
2022 (\$109,000)	<\$54,500	\$54,500 to <\$87,200	\$87,200 to <\$130,800	≥\$130,800

Source: FFIEC

According to the U.S. Bureau of Labor Statistics, the unemployment rate dropped to 2.2 percent in 2022 from 3.2 percent in 2021. This is less than the VT state average of 2.6 percent and the national average of 3.6 percent. The assessment area's largest employers are The University of Vermont Medical Center, The University of Vermont, and GlobalFoundries.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BURLINGTON – SOUTH BURLINGTON, VT MSA

LENDING TEST

Lending performance in the Burlington-South Burlington, VT MSA assessment area is consistent with the institution's lending performance within the Non-MSA, VT assessment area that examiners reviewed using full-scope examination procedures. UB originated 621 HMDA loans totaling \$170.8 million in 2020, 445 HMDA loans totaling \$126.6 million in 2021, and 501 HMDA loans totaling \$75.3 million in 2022 in this assessment area. The small business loan samples included 15 loans totaling \$2.9 million in 2021, and 6 small business loans totaling \$762,000 in 2022. The limited-scope conclusions did not affect the institution's overall performance ratings. The following sections discuss the bank's performance under each criterion within this assessment area.

Geographic Distribution

Home Mortgage

In 2021, lending in the low-income census tract was consistent with demographic and aggregate data. In 2022, lending in this tract exceeded demographic and aggregate data.

In 2021, lending in moderate-income census tracts was less than aggregate and demographics. Conversely, in 2022, lending was greater than both comparators.

Small Business

There were no loans in the low-income census tract. In the moderate-income census tracts, the bank's lending was less than demographics in 2021 and greater than in 2022.

Borrower Profile

Home Mortgage

In 2021, lending to low-income borrowers was slightly below aggregate and significantly below demographic data. Similarly, in 2022, UB's lending was less than demographics and the aggregate.

Small Business

The distribution of loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. UB's level of lending to small businesses was below demographic data in both 2021 and 2022. However, the number and percentage of sampled loans to small businesses increased significantly in 2022.

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the Burlington-South Burlington, VT MSA is below the community development performance in the assessment area within the Non-MSA, VT that examiners reviewed using full-scope examination procedures; however, it does change the conclusion for the Non-MSA, VT.

UB originated seven community development loans totaling \$5.8 million during the evaluation period. UB made 20 qualifying investments totaling approximately \$580,000. This total includes 4 new

investments totaling approximately \$568,000 and 16 donations totaling \$12,000. Of the three new investments, one for \$230,000 supported affordable housing, and three totaling \$338,000 supported revitalization and stabilization in the Burlington-South Burlington, VT MSA.

Bank employees provided 49 hours of community development services to organizations in the assessment area that benefitted low- and moderate-income individuals and geographies, small businesses, and affordable housing.

NEW HAMPSHIRE

CRA RATING FOR NEW HAMPSHIRE: OUTSTANDING

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE

UB operates four branches and one LPO in NH. This area includes Coos (expanded in October 2023 to include the full county) and Grafton County. This area consists of 39 census tracts, an increase of 19 census tracts since the prior evaluation. This increase results from the expanded assessment area (10 tracts) and the 2020 U.S. Census data changes (9 tracts). Additionally, the 2020 U.S. Census resulted in the addition of four moderate-income tracts, four middle-income tracts, and one upper-income tract. Prior to the expansion and the release of 2020 U.S. Census data, the area's 20 census tracts consisted of no low-income and 7 moderate-income census tracts.

Economic and Demographic Data

Based on the 2020 U.S. Census data, the 39 census tracts reflect the following income designations:

- 1 low-income census tract
- 12 moderate-income census tracts
- 21 middle-income census tracts
- 5 upper-income census tracts

The low-income census tract is located in Coos County. The moderate-income census tracts are located in Coos County (6) and Grafton County (6).

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
NH						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	2.6	30.8	53.8	12.8	0.0
Population by Geography	122,386	1.8	26.8	55.8	15.6	0.0
Housing Units by Geography	74,790	2.0	33.7	54.4	9.9	0.0
Owner-Occupied Units by Geography	34,647	2.0	27.6	59.9	10.6	0.0
Occupied Rental Units by Geography	14,461	3.7	27.6	53.5	15.1	0.0
Vacant Units by Geography	25,682	1.0	45.4	47.6	6.1	0.0
Businesses by Geography	13,647	1.8	24.3	58.5	15.3	0.0
Farms by Geography	549	0.2	21.3	68.9	9.7	0.0
Family Distribution by Income Level	29,794	24.3	18.9	22.5	34.3	0.0
Household Distribution by Income Level	49,108	27.5	17.3	18.6	36.6	0.0
Median Family Income Non-MSAs - NH		\$85,473	Median Housing Value			\$216,648
			Median Gross Rent			\$1,006
			Families Below Poverty Level			6.8%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Owner-occupied housing units indicate the opportunity institutions have to originate 1-4 family residential mortgage loans. Based on 2020 Census data, there are 74,790 housing units in the NH-rated area. Of these, 46 percent are owner-occupied, 19.3 percent are occupied-rental units, and 34.3 percent are vacant units. As shown in the previous table, 2.0 percent of owner-occupied units are in low-income tracts as compared to 3.7 percent of rental units; 27.6 percent of owner-occupied units are in moderate-income tracts as compared to 27.6 percent of rental units. Additionally, 1.0 percent of vacant units are in low-income tracts and 45.4 percent of vacant units are in moderate-income tracts as compared to 47.6 percent in middle-income tracts. NH has a large number of vacation homes in the lakes and mountain regions, including seasonal rentals, contributing to inflated vacancies. This data suggests there is reduced opportunity for lenders to originate 1-4 family residential mortgages in low- and moderate-income geographies.

The Borrower Profile criterion compares the distribution of home mortgage loans to the percentage of low- and moderate-income families. Demographic data shows 24.3 percent of families in the assessment area are low-income including 6.8 percent under the poverty level and 18.9 percent are moderate-income. The median housing value is \$216,648. This data suggests that low- families may face difficulties qualifying for a home mortgage and supporting a monthly payment.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. In 2021, the NH-rated area had 12,969 non-farm businesses, of which 84.7 percent had GARs of \$1 million or less, 4.2 percent had GARs of more than \$1 million, and

11.1 percent had unknown revenues. According to 2022 D&B data, there were 13,647 non-farm businesses within the assessment area. GARs for these businesses are as follows:

- 85.4 percent have \$1 million or less.
- 3.9 percent have more than \$1 million.
- 10.6 percent have unknown revenues.

Service companies represent the largest portion of businesses at nearly 37.5 percent; followed by retail trade at 11.9 percent; finance, insurance, and real estate at 9.0 percent; construction at 7.1 percent; and transportation at 4.4 percent. In addition, 91.1 percent of area businesses have nine or fewer employees and 89.1 percent operate from a single location. Major employers include Dartmouth Hitchcock, Dartmouth College, Androscoggin Valley Hospital, and Huggins Hospital.

Examiners used the FFIEC’s updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-, and upper-income categories for the NH-rated area.

Median Family Income Ranges NH				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
2022 (\$94,500)	<\$47,250	\$47,250 to <\$75,600	\$75,600 to <\$113,400	≥\$113,400

Source: FFIEC

According to the U.S. Bureau of Labor Statistics, unemployment rates in the area have declined significantly since 2020. Coos County remains slightly over the state average, but remains below the national average. Grafton County remains below the state average and national average.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Coos County	7.9	4.3	3.3
Grafton County	5.9	3.2	2.3
State of NH	6.7	3.4	2.9
National Average	8.1	5.3	3.6

Source: U.S. Bureau of Labor Statistics

Competition

The bank operates in a competitive market for financial services. According to 2022 FDIC Deposit Market Share data, 16 financial institutions operated 60 branches in the area. Of these, UB ranked 9th with 6.7 percent deposit market share. The top three institutions, Mascoma Bank, Woodsville Guaranty Savings Bank, and Bank of New Hampshire, collectively accounted for a 40.4 percent market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, 323 lenders originated or purchased 7,585 home mortgage loans in the assessment area, and UB ranked 15th with a market share of 1.8 percent. In 2022, 295 lenders originated or purchased 5,332 home mortgage loans in the assessment area, and UB ranked 11th with a market share of 1.7 percent. The top three lenders were Mascoma Bank at 8.9 percent; Citi Bank, N.A. at 6.3 percent; and Rocket Mortgage at 5.9 percent.

As previously referenced in the Scope of the Evaluation section, UB is not required to report its small business data. Therefore, the small business loan analysis under the Lending Test does not include comparisons of the bank's small business lending activity to aggregate lending data. However, since aggregate data reflects the level of demand for small business loans, it is included to illustrate loan competition. UB faces a high level of competition for small business loans from national and other community banks. In 2021, 79 lenders originated 2,940 small business loans for approximately \$112.4 million in this area.

Community Contact

As part of the evaluation process, examiners contacted a third party active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a NH affordable housing organization. The contact noted that the area has a substantial number of low-wage jobs and that there is a solid market for manufacturing jobs. In addition, the contact expressed that new and larger corporations may be hesitant to enter the NH market due to a lack of affordable housing for their workforce. This can inhibit economic growth and stability in the region. According to the contact, local banks are actively involved with this organization and its mission.

Credit and Community Development Needs and Opportunities

Based on the information provided by the community contact, management, and demographic data, examiners determined affordable housing is the area's greatest community development need. Examiners determined that opportunities and credit needs exist for affordable housing and special financing programs for low- and moderate-income borrowers. Further, there is a need for flexible underwriting standards to expand home ownership opportunities for low- and moderate-income borrowers.

Community development needs primarily include affordable housing development and community services assisting low- and moderate-income individuals. Community development opportunities include creating flexible home buying and education programs and financial literacy courses for low- and moderate-income individuals. Additionally, banks could provide expertise to organizations to work with local government and assist in rezoning land to create the opportunity for new affordable housing development.

SCOPE OF EVALUATION – NEW HAMPSHIRE

Please refer to the overall Scope of Evaluation section for products reviewed, timeframe, and weighting of products and rationale.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE

LENDING TEST

The bank's Lending Test performance is rated Outstanding. Excellent performance under the Geographic Distribution and Borrower Profile criteria support this conclusion. The following sections discuss the bank's statewide performance under each criterion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout this area. The bank's excellent dispersion of home mortgage loans primarily supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout this area. As shown in the following table, the bank did not make any loans in the low-income census tract; however, this tract is in Coos County. The bank did not add Coos County to this area until October 2023. Additionally, demographic and aggregate data reflects limited opportunities. The bank's level of lending in moderate-income census tracts significantly exceeded aggregate and demographic data in 2021. Although UB's level of lending in moderate-income tracts declined by number and percentage in 2022, performance was comparable to demographic and aggregate data.

Market share data for 2021 shows that UB ranked 3rd of 151 lenders that originated one or more loans in moderate-income census tracts, with a 5.4 percent market share. Similarly, UB ranked 4th with a 5.1 percent market share in 2022 and ranked highest among community banks in terms of lending in moderate-income census tracts. For comparison, similarly situated institutions, Northfield Savings Bank, ranked 16th with a 1.4 percent market share and Northway Bank ranked 23rd with a 1.0 percent market share. Overall, these trends and comparisons reflect excellent dispersion.

The following table depicts the distribution of home mortgage loans in the area for 2021 and 2022.

Geographic Distribution of Home Mortgage Loans						
NH						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	2.5	1.5	0	0.0	0	0.0
2022	2.0	1.7	0	0.0	0	0.0
Moderate						
2021	23.0	19.1	52	45.2	11,818	38.6
2022	27.6	31.1	20	27.8	3,447	15.6
Middle						
2021	61.2	65.7	60	52.2	17,238	56.4
2022	59.9	56.1	45	62.5	13,011	58.7
Upper						
2021	13.3	13.7	3	2.6	1,532	5.0
2022	10.6	11.1	7	9.7	5,696	25.7
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	115	100.0	30,588	100.0
2022	100.0	100.0	72	100.0	22,153	100.0
<i>Source: 2021 ACS and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans is excellent throughout the area. The bank did not make any loans in the low-income census tract. However, Coos County was not part of the assessment area until October 2023 and the percentage of businesses in this tract is nominal. In 2021 and 2022, the bank’s level of lending in moderate-income census tracts significantly exceeded demographic data. Examiners identified a high level of competition in the area, with American Express, Chase, and Mascoma Bank accounting for a combined 37 percent of total market share in 2021. The following table depicts the distribution of small business loans by census tract income level.

Geographic Distribution of Small Business Loans					
NH					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	1.8	0	0.0	0	0.0
2022	1.2	0	0.0	0	0.0
Moderate					
2021	21.9	4	57.1	1,288	65.7
2022	24.3	4	80.0	1,001	95.2
Middle					
2021	57.2	3	42.9	671	34.3
2022	58.5	1	20.0	50	4.8
Upper					
2021	19.0	0	0.0	0	0.0
2022	15.3	0	0.0	0	0.0
Totals					
2021	100.0	7	100.0	1,959	100.0
2022	100.0	5	100.0	1,051	100.0
<i>Source: 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent penetration of home mortgages among individuals of different income levels primarily supports this conclusion.

Home Mortgage

The distribution of borrowers reflects excellent penetration among individuals of different income levels. As shown in the following table, in 2021, UB exceeded aggregate performance in lending to low-income borrowers and in 2022, significantly exceeded aggregate. The bank's lending trailed demographic data; however, 6.8 percent of families have incomes below the poverty threshold and are likely to have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median home value of \$216,648. This limits the opportunity that lenders have to make loans to low-income individuals. Moreover, UB ranked 10th of 69 lenders in lending to low-income borrowers in 2021. UB demonstrated an increasing trend in 2022, as it ranked 2nd out of 52 lenders among low-income borrowers with a 10.5 percent market share. UB was the highest ranked community bank in terms of lending to low-income borrowers in 2022.

The bank's level of lending to moderate-income borrowers exceeded aggregate and was below demographic data in 2021. In 2022, the bank's performance was relatively consistent with demographic and aggregate data. Additionally, in 2021, the bank ranked 11th of 102 lenders that

originated one or more loans to moderate-income borrowers with a 2.5 percent market share. Demonstrating an increasing trend in 2022, UB ranked 2nd out of 79 lenders with a 9.3 percent market share of loans to moderate-income borrowers. In 2022, UB was the highest ranked community bank in lending to moderate-income borrowers. Overall, these trends and comparisons reflect excellent penetration.

Distribution of Home Mortgage Loans by Borrower Income Level						
NH						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	22.6	5.8	8	7.0	962	3.1
2022	24.3	8.5	11	15.3	988	4.5
Moderate						
2021	20.2	15.8	20	17.4	2,919	9.5
2022	18.9	18.4	13	18.1	1,471	6.6
Middle						
2021	21.2	20.4	33	28.7	6,323	20.7
2022	22.5	20.9	13	18.1	2,208	10.0
Upper						
2021	36.0	46.3	48	41.7	14,313	46.8
2022	34.3	42.7	32	44.4	15,403	69.5
Not Available						
2021	0.0	11.8	6	5.2	6,072	19.9
2022	0.0	9.6	3	4.2	2,084	9.4
Total						
2021	100.0	100.0	115	100.0	30,588	100.0
2022	100.0	100.0	72	100.0	22,153	100.0
<i>Source: 2015 ACS and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans among businesses of different sizes. In 2020 and 2021, the bank’s percentage of sampled loans to businesses with GARs of \$1 million or less was lower than demographics. However, for 2021, nearly half of the bank’s loans were in the “Revenue Not Available” category. This is due to the bank participating in the SBA’s PPP and banks were not required to collect revenue information. The number of loans with “Revenue Not Available” reduces the percentage of loans made to businesses with GARs of \$1 million or less, but does not indicate adverse performance by the bank. When excluding the loans with unknown GARs, in 2021, all of the bank’s loans were to businesses with GARs of \$1 million or less. The bank demonstrated consistent performance in 2022, with 60 percent of sampled loans to small businesses

Distribution of Small Business Loans by Gross Annual Revenue Category NH					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2021	84.7	4	57.1	910	46.5
2022	85.4	3	60.0	1,002	95.3
> \$1,000,000					
2021	4.2	0	0.0	0	0.0
2022	3.9	2	40.0	49	4.7
Revenue Not Available					
2021	11.0	3	42.9	1,049	53.5
2022	10.6	0	0.0	0	0.0
Total					
2021	100.0	7	100.0	1,959	100.0
2022	100.0	5	100.0	1,051	100.0

*Source: 2021 & 2022 D&B Data; Bank Data;; "--" data not available.
Due to rounding, totals may not equal 100.0%*

COMMUNITY DEVELOPMENT TEST

UB's community development performance demonstrates excellent responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development activity.

Community Development Loans

UB originated 19 community development loans for \$35.1 million. The bank originated 11 community development loans for approximately \$19.6 million that supported this area. This level of community development lending represents a significant increase from the previous evaluation, demonstrating the bank's strong responsiveness to community development needs. During the prior evaluation, the bank made six community development loans totaling approximately \$2.2 million. The following table illustrates the bank's community development loans by year and purpose.

Community Development Lending NH										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	4	2,185	4	2,050	8	4,235
2021	0	0	1	590	5	13,218	0	0	6	13,808
2022	0	0	0	0	4	4,274	0	0	4	4,274
2023 YTD	0	0	0	0	1	12,800	0	0	1	12,800
Total	0	0	1	590	14	32,477	4	2,050	19	35,117

Source: Bank Data

The following are examples of qualified community development loans benefitting the assessment area.

- In 2020, the bank made an \$800,000 loan to the town of Woodstock. Loan proceeds assisted in ensuring the town maintained an adequate cash flow during the pandemic and avoided furloughing town and other essential employees. Woodstock is located in a moderate-income census tract.
- In 2021, the bank originated an \$11.6 million loan to a hospitality company with GARs under the SBA’s small business asset threshold for the industry. Loan proceeds were used to construct a hotel. The hotel will create 15 permanent, full-time hospitality jobs for moderate-income individuals.

Qualified Investments

UB made 16 qualified donations totaling \$199,000. This level of qualified investments reflects a decrease since the prior evaluation, at which time the bank made 15 qualified investments totaling \$233,000. Despite the decline, qualified investments reflect strong responsiveness to community development needs as a majority targeted affordable housing initiatives and organizations. The following table illustrates the bank’s qualified donations by year and purpose.

Qualified Investments NH										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2020	2	70	0	0	3	40	0	0	5	110
2021	0	0	0	0	2	30	0	0	2	30
2022	0	0	0	0	0	0	0	0	0	0
2023 YTD	1	49	0	0	0	0	0	0	1	49
Subtotal	3	119	0	0	5	70	0	0	8	189
Qualified Grants & Donations	3	7	5	3	0	0	0	0	8	10
Total	6	126	5	3	5	70	0	0	16	199

Source: Bank Data

The following are examples of qualified community development donations benefitting the area.

- In 2023, the bank donated \$5,000 to AHEAD: Affordable Housing Education. AHEAD’s purpose is to develop and provide quality affordable rental housing, financial education, and home ownership opportunities that strengthen the families and communities of Northern NH.
- In 2020, the bank donated \$20,000 in the Laconia Area Community Land Trust: Harriman Hill Affordable Housing Development Project. The project is a three-phase affordable housing construction project benefitting low- and moderate-income families.

Community Development Services

During the evaluation period, UB employees provided 317 hours of financial and technical assistance to 6 community-development related organizations in the area that benefitted low- and moderate-income individuals and geographies, small businesses, and affordable housing. These results are similar to the previous evaluation, at which time bank employees provided 328 hours to 7 community-development related organizations. Community development services included providing financial education, supporting small businesses, and assisting in providing affordable housing initiatives.

Reflecting strong responsiveness to identified community development needs, a substantial majority of the bank’s community development services supported community services for low- and moderate-income individuals and families. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services NH					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	13	6	102	0	121
2021	19	3	85	0	107
2022	29	0	60	0	89
YTD 2023	0	0	0	0	0
Total	61	9	247	0	317
<i>Source: Bank Data</i>					

The following are examples of qualified community development services that benefitted the area.

- An employee served on the Board of the Grafton Regional Development Corporation (GRDC). GRDC is a non-profit organization that focuses on strengthening local businesses, growing the economy, and fostering a community of support networks to create jobs and build wealth within Grafton County. The services offered include small business funding, workshops, and workforce development, as well as education and job training for low- and moderate-income individuals.
- An employee served as treasurer, and another employee served as Director of the North Country Consortium for Workforce Advancement. This consortium is an employment agency and job training organization. The organization primarily works with low- and moderate-income individuals to develop new job skills and assists with post-training job search and interview preparation.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
Vermont	Outstanding	Outstanding	Outstanding
New Hampshire	Outstanding	Outstanding	Outstanding

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.