

# **PUBLIC DISCLOSURE**

June 15, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Union Banking Company  
Certificate Number: 15326

105 East Center Street  
West Mansfield, Ohio 43358

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Needs to Improve**.

An institution in this group needs to improve its overall record of helping to meet the credit needs of the assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Union Banking Company's (UBC) loan-to-deposit (LTD) ratio decreased since the previous evaluation and remains significantly below peer averages. The low LTD ratio is the primary reason for the adverse rating.

- The LTD ratio is less than reasonable given the institution's size, financial condition, and AA needs.
- A majority of loans are inside the institution's AA.
- The geographic distribution of loans reflects poor dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and farms of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test.

## DESCRIPTION OF INSTITUTION

UBC is a community bank headquartered in West Mansfield, Ohio and is a wholly owned subsidiary of Union Bancorp, Inc., a one-bank holding company also headquartered in West Mansfield, Ohio. The bank operates throughout Logan, Union, and Hardin counties in Central Ohio. UBC received a "Needs to Improve" rating at its previous FDIC CRA Performance Evaluation, based on the Interagency Small Institution Examination Procedures, dated May 17, 2021.

### **Operations**

UBC operates its main office and one full-service branch within Logan County. Both locations are located in middle-income tracts. UBC offers a range of banking products and services, including deposit and lending products. Deposit products include consumer and business checking, savings, certificates of deposit, and individual retirement accounts. Alternative delivery systems for retail banking services include on-line banking, direct deposit, and Bill Pay. UBC's primary business and lending focus is residential real estate loans, farm and agricultural loans, and commercial loans; however, the bank also offers consumer, home equity, and construction loans. UBC does not offer any government lending products, such as Federal Housing Authority or Veterans Administration loans, and does not sell its loans on the secondary market.

### **Ability and Capacity**

As reported in the March 31, 2023, Consolidated Reports of Condition and Income (Call Report), assets totaled \$60.1 million, loans totaled \$6.8 million, deposits totaled \$47.2 million, and securities totaled \$42.1 million. Total assets decreased from \$62.5 million at the previous evaluation to \$60.1 million, and total securities decreased from \$53.0 million to \$42.1 million. Deposits, however, increased from \$43.5 million at the previous evaluation to \$47.2 million, and total loans increased a similar amount from \$3.9 million to \$6.8 million. Loans as a percent of total assets increased from 6.2 percent at the previous evaluation to 11.3 percent at the current evaluation; however, the concentration in investment securities continues to comprise the majority of the total assets at 70.1 percent.

The loan portfolio increased across all products with the exception of agricultural and consumer loans, which decreased from the previous evaluation. The following table provides a breakdown of the bank's loan portfolio.

<b>Loan Portfolio Distribution as of March 31, 2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	70	1.0
Secured by Farmland	556	8.1
Secured by 1-4 Family Residential Properties	4,500	66.0
Secured by Multifamily (5 or more) Residential Properties	0	0
Secured by Nonfarm Nonresidential Properties	1,106	16.2
<b>Total Real Estate Loans</b>	<b>6,232</b>	<b>91.3</b>
Commercial and Industrial Loans	174	2.5
Agricultural Production and Other Loans to Farmers	94	1.4
Consumer Loans	45	0.7
Obligations of State and Political Subdivisions in the U.S.	329	4.8
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(51)	(0.7)
<b>Total Loans</b>	<b>6,823</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of the AA.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. UBC designated one AA, which includes seven census tracts (CTs) in eastern Logan County, two CTs in northern Union County, and one CT in southern Hardin County. While the bank does not have branches in Hardin or Union Counties, its offices border these counties, and UBC has several agricultural relationships in both areas. Logan and Hardin Counties are located in the Ohio Non-Metropolitan Statistical Area (MSA), and Union County is located in the Columbus, Ohio MSA 18140. The three counties portray similar demographic

characteristics, and the AA does not extend substantially beyond the border of a MSA; therefore, examiners treated the entire area as a single AA.

The bank's AA designation is in conformance with CRA requirements as it consists of whole and contiguous CTs, and it does not arbitrarily exclude low- and moderate-income CTs.

### **Economic and Demographic Data**

For CRA performance data, examiner analysis includes two sets of census data. Examiners used the 2015 American Community Survey (ACS) and 2010 Census boundary data for CRA performance in 2021. For data from January 1, 2022, forward, examiners used the 2015-2020 ACS for the majority of demographic fields, with selected 2020 Census data for population-related fields.

Based on the 2015-2020 ACS and 2020 Census data, the bank's AA consists of ten CTs with the following income designations: no low-income, two moderate-income, five middle-income, and three upper-income CTs. Based on the 2015 ACS and 2010 Census data, UBC's overall AA consisted of the same number of CTs and income designations; however, income designations of certain CTs changed due to updated demographic information. Since the previous evaluation, the bank added an additional CT (48.00) in Logan County to its AA. The following table illustrates the most current demographic information for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	20.0	50.0	30.0	0.0
Population by Geography	47,451	0.0	19.6	48.1	32.3	0.0
Housing Units by Geography	19,923	0.0	21.4	46.7	31.9	0.0
Owner-Occupied Units by Geography	13,795	0.0	16.0	49.4	34.6	0.0
Occupied Rental Units by Geography	4,305	0.0	37.1	35.8	27.1	0.0
Vacant Units by Geography	1,823	0.0	25.5	52.3	22.2	0.0
Businesses by Geography	3,372	0.0	18.2	54.2	27.6	0.0
Farms by Geography	343	0.0	15.2	57.1	27.7	0.0
Family Distribution by Income Level	12,896	15.7	17.2	23.6	43.6	0.0
Household Distribution by Income Level	18,100	17.4	15.5	19.2	48.0	0.0
Median Family Income MSA - 18140 Columbus, OH MSA		\$84,088	Median Housing Value			\$148,576
Median Family Income Non-MSAs - OH		\$66,684	Median Gross Rent			\$705
			Families Below Poverty Level			6.3%
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.						

According to the 2015-2010 ACS data, there were 19,374 housing units in the AA. Of those, 68.9 percent were owner-occupied, 22.8 were rental units, and 8.4 percent were vacant. Updated 2015-2020 ACS data revealed a slight increase to 19,923 housing units within the AA, of which 69.2 percent are owner-occupied, 21.6 percent are rental units, and 9.2 percent are vacant. Overall, housing data remained consistent over the time period. The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units in the AA.

According to the 2021 D&B data, 246 farms operated within the AA, and 44.3 percent were located in middle-income CTs. Based on 2022 D&B data, the number of farms increased significantly to 343 farms operating within the AA, and 57.1 percent are located in the middle-income CTs. The Geographic Distribution criteria compares small farm loans to the distribution of farms by tract income level. Additionally, 98.4 percent of farms reported gross annual revenues (GARs) of \$1.0 million or less in 2021 and increased slightly to 98.8 percent in 2022. Examiners utilize GARs to analyze the bank's small farm lending in the Borrower Profile criterion.

D&B data from 2021 shows that the largest industries in the AA were services (35.4 percent); retail trade (13.7 percent); agriculture, forestry and fishing (10.0 percent); and non-classifiable establishments (9.5 percent). D&B data from 2022 shows the largest industries in the AA remained the same but with a notable increase in non-classifiable establishments: services (28.6 percent); non-classifiable establishments (22.9 percent); retail trade (10.4 percent); and agricultural, forestry and fishing (9.2 percent).

The major employers in Logan County are Honda of America Manufacturing, Honda Transmissions, Transportation Research Center, Inc., SpatanNash, AGC Automotive, CEVA Logistics, and Midwest Express. The major employers in Hardin County include Kenton City Schools, Ohio Northern University, Ada Technologies, Inc., OhioHealth Hardin Memorial Hospital, and Hardin County government. Union County major employers include Honda Marysville Auto Plant, Honda Research and Development, Memorial Hospital, Marysville Schools, and Ohio Reformatory for Women.

Examiners considered unemployment data when evaluating the bank's ability to lend within the AA. According to the U.S. Bureau of Labor Statistics, both Logan and Union Counties were comparable to the national average, while Hardin County unemployment was higher and comparable to the Ohio unemployment rate throughout the evaluation period. The following table outlines the unemployment for the AA during the evaluation period.

Unemployment Rates			
Area	2021	2022	March 2023
	%	%	%
Logan	4.2	3.5	3.6
Hardin	5.2	4.2	4.2
Union	3.6	3.0	3.0
State	5.1	4.0	4.0
National Average	3.9	3.5	3.5
<i>Source: Bureau of Labor Statistics</i>			

Examiners use the Federal Financial Institutions Examination Council (FFIEC) median family income estimates to analyze home mortgage lending under the Borrower Profile criterion. The following table outlines the ranges for the AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Columbus, OH MSA Median Family Income (18140)</b>				
2021 (\$83,900)	<\$41,950	\$41,950 to <\$67,120	\$67,120 to <\$100,680	≥\$100,680
2022 (\$95,600)	<\$47,800	\$47,800 to <\$76,480	\$76,480 to <\$114,720	≥\$114,720
<b>OH NA Median Family Income (99999)</b>				
2021 (\$64,700)	<\$32,350	\$32,350 to <\$51,760	\$51,760 to <\$77,640	≥\$77,640
2022 (\$74,900)	<\$37,450	\$37,450 to <\$59,920	\$59,920 to <\$89,880	≥\$89,880
<i>Source: FFIEC</i>				

### **Competition**

UBC operates in a highly competitive environment with many competing institutions, including national banks and credit unions. According to the June 30, 2022, FDIC Deposit Market Share data, 21 financial institutions operate 40 offices within all three counties with total deposits of \$2.6 billion. Of these institutions, UBC ranked 14<sup>th</sup> with a 1.8 percent deposit market share. The top three banks hold 54.1 percent of the deposit market share. Examiners based their conclusions on the entire three-county AA, as the FDIC Deposit Market Share data does not filter less than the full county level.

There is a high level of competition in the AA for home mortgage lending. Although UBC is not required to report originations and purchases of home mortgage loans under the Home Mortgage Disclosure Act, peer data is useful in determining the level of competition for such loans. In 2021, the most recent year that peer data is available, 184 lenders originated or purchased 1,927 home mortgage loans in the AA. The average loan size for reporting lenders was \$168,000. The top four lenders originated 28.4 percent of the market share. Honda Federal Credit Union and three other large national banks and financial service institutions made up the top four lenders.

There is a high level of competition in the AA for small farm lending. UBC is not required to collect or report small farm loan data. Therefore, the analysis of small farm loans does not include

comparisons against aggregate data. However, aggregate data reflects the level of demand for small farm loans. In 2021, the most recent year that peer data is available, 20 lenders originated 186 small farm loans in the counties that make up the AA. The average loan size for reporting lenders was \$51,000. The top four lenders originated 76.3 percent of the market share.

### **Community Contacts**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit needs and opportunities, including the bank's responsiveness to those needs.

Examiners contacted an economic development organization in Logan County. The contact stated the overall economic conditions were strong, with many open positions with local employers. In addition, the contact stated the AA is experiencing an extreme shortage of housing inventory and multifamily properties. In response to the shortage of homes, several housing developments are currently under construction. In addition, the contact highlighted a need and opportunity for small business loans.

### **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business lending represent the primary credit needs of the AA.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the last evaluation dated May 17, 2021, through the current evaluation. Examiners used the Interagency Small Institution Procedures to evaluate UBC's CRA performance. The Small Bank Performance Criteria Appendix discusses the small bank performance criteria.

### **Activities Reviewed**

Examiners determined that UBC's major product lines are home mortgage, consumer, and small farm loans. Examiners considered the bank's business strategy, loan portfolio composition, and number and dollar volume of loans originated during the evaluation period. Although small business loans represent 18.8 percent of UBC's loan portfolio, the bank originated only five loans since the previous evaluation; therefore, examiners did not analyze small business loans as they do not provide material support for the conclusions or ratings. Examiners reviewed all home mortgage, consumer, and small farm loans extended by the bank in stub-year 2021 (May 18, 2021, through December 31, 2021), 2022, and the first quarter of 2023. However, the volume of loans extended across all loan types in the first quarter of 2023 was nominal and did not allow for meaningful analyses or conclusions; therefore, performance in the first quarter of 2023 is not included in this evaluation.

Examiners used 2015 ACS, which leverages 2010 Census boundary data, as a standard of comparison for home mortgage and consumer loans originated in 2021, and the 2020 Census data as a standard of comparison for home mortgage and consumer loans originated in 2022.



Examiners used the bank's records to identify the universe of home mortgage loans originated from May 18, 2021, through December 31, 2022. In stub-year 2021, the bank originated 11 home mortgage loans totaling \$1.6 million. In 2022, UBC originated 14 home mortgage loans totaling \$1.9 million.

Examiners used bank records to identify the universe of consumer loans originated from May 18, 2021, through December 31, 2022. In stub-year 2021, the bank originated 6 consumer loans totaling \$37,400. In 2022, UBC originated 11 consumer loans totaling \$106,500.

Examiners used bank records to identify the universe of small farm loans originated from May 18, 2021, through December 31, 2022. In stub-year 2021, the bank originated 4 small farm loans totaling \$630,000. In 2022, UBC originated 4 small farm loans totaling \$181,000. Examiners used 2021 D&B data as a standard of comparison for small farm loans originated in 2021, and 2022 D&B data as a standard of comparison for small farm loans originated in 2022.

Examiners weighed home mortgage loans more heavily, considering the bank's business strategy, overall loan portfolio composition, and volume of activity during the evaluation period. Examiners weighed consumer loans second and small farm loans last, considering recent loan activity. Examiners analyzed and presented both the number and dollar volume of home mortgage, consumer, and small farm loans. However, examiners emphasized performance relative to the number of loans as this a better indicator of the number of individuals and small farms served. In evaluating the Geographic Distribution and Borrower Profile Criteria, examiners only evaluate loans extended within the AA.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's performance under the Lending Test is less than satisfactory and in need of improvement. UBC's average net LTD ratio is less than reasonable and is the primary driver for the overall rating. Due to the low level of lending and resulting less than reasonable LTD ratio, the bank's performance under the other Lending Test performance factors (AA Concentration, Geographic Distribution, and Borrower Profile) received less weight when assigning the bank's overall rating.

### **Loan-to-Deposit Ratio**

The LTD is less than reasonable given the institution's size, financial condition, and AA credit needs. UBC's LTD ratio declined since the previous evaluation where it averaged 13.7 percent, despite positive loan growth during the evaluation period. The net LTD ratio, calculated from Call Report data, averaged 13.1 percent over the past 8 calendar quarters, from June 30, 2021, through March 31, 2023. The ratio fluctuated during the evaluation period, ranging from a high of 15.4 percent on December 31, 2022, to a low of 8.5 percent on June 30, 2021. Since June 30, 2021, the LTD gradually increased throughout each quarter, except the most recent quarter where it decreased.

The performance of comparable institutions serves as a primary method to assess the LTD ratio. Examiners selected four comparable institutions based on asset size, branching structure, geographic location, and lending focus. Similarly-situated institutions' net LTD ratios averaged from 29.7 percent to 117.8 percent. Similarly-Situated Institutions #1 and #4 have similar

geographic footprints and operate within the AA. Both of these institutions have LTD ratios significantly above that of UBC, evidencing that lending opportunities exist within the AA. Examiners used Similarly-Situated Institution #4, even though assets were somewhat higher, as the bank operates within UBC's AA and most closely resembles UBC in geographical footprint.

UBC's net loans increased \$2.9 million (76.6 percent) since the previous evaluation, while deposits grew by \$3.7 million (8.5 percent). UBC's increase in loan volume since the previous evaluation is the result of several factors. Specifically, the bank implemented a new loan pricing policy for loans to be more competitive with rates to its customers. In addition, the bank participated in one direct mailer marketing effort in five zip codes surrounding its Belle Center branch location. Other outreach efforts include contacting existing customers, reaching out to realtors, and advertising in local publications. UBC continues to perform nominal marketing and outreach to expand its customer base, mainly relying on existing customers and word of mouth to attract business.

This approach has proven minimally effective in attracting new lending opportunities in the highly competitive market of the bank's AA. UBC only originated 25 home mortgage loans during the 22-month review period. Of the 25 home mortgage loans, only 6 were home purchase loans. The remaining 19 were to refinance or provide home improvement loans, primarily to existing borrowers. The bank originated 17 consumer loans since the previous evaluation: 8 were auto loans and the other 9 were for personal loans. The bank originated no home mortgage or consumer loans in Hardin County, and only one home mortgage loan in Union County (no consumer loans), regardless of the close proximity of the bank's office locations.

Overall, the bank's LTD ratio remains less than reasonable given the opportunities to extend credit in the AA and in comparison to similarly-situated institutions.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>The Union Banking Company</b>	<b>60,073</b>	<b>13.1</b>
Similarly-Situated Institution #1	64,753	50.5
Similarly-Situated Institution #2	57,628	57.8
Similarly-Situated Institution #3	58,764	29.7
Similarly-Situated Institution #4	99,634	117.8
<i>Source: Reports of Condition and Income 6/30/2021 – 3/31/2023</i>		

### **Assessment Area Concentration**

A majority of loans are inside the institution's AA. The following table evidences the distribution of home mortgage, consumer, and small farm loans inside and outside the AA by number and dollar volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
Stub-Year 2021	11	100.0	0	0.0	11	1,640	100.0	0	0.0	1,640
2022	13	92.9	1	7.1	14	1,522	80.4	372	19.6	1,894
Consumer										
Stub-Year 2021	5	83.3	1	16.7	6	36	97.3	1	2.7	37
2022	10	90.9	1	9.1	11	103	97.2	3	2.8	106
Small Farm										
Stub-Year 2021	3	75.0	1	25.0	4	330	52.4	300	47.6	630
2022	4	100.0	0	0.0	4	181	100.0	0	0.0	181
Total	46	92.0	4	8.0	50	3,812	84.9	676	15.1	4,488
Source: Bank Data Due to rounding, totals may not equal 100.0%										

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the AA. Lending volumes remain low, and the overall distribution in the moderate-income CTs is poor for all loan products. The AA does not include any low-income geographies.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor dispersion throughout the AA. As shown in the following table, performance in the moderate-income CTs significantly trailed the comparable demographic in 2021 and 2022, despite UBC's main office being less than one mile away from the moderate-income CT in Union County. The Belle Center Office is approximately 10 miles from the moderate-income CT in Logan County, where UBC originated both moderate-income loans extended during the review period.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
Stub-Year 2021	18.0	1	9.1	125	7.6
2022	16.0	1	7.7	128	8.4
Middle					
Stub-Year 2021	48.7	1	9.1	175	10.7
2022	49.4	9	69.2	1,200	78.9
Upper					
Stub-Year 2021	33.3	9	81.8	1,340	81.7
2022	34.6	3	23.1	194	12.7
<b>Totals</b>					
Stub-Year 2021	<b>100.0</b>	11	100.0	1,640	100.0
<b>2022</b>	<b>100.0</b>	13	100.0	1,522	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Consumer Loans***

The geographic distribution of consumer loans reflects poor dispersion throughout the AA. UBC made no loans in the moderate-income CTs during the evaluation period, despite the proximity of the main office to the moderate-income tract located in Union County and the opportunity to extend consumer credit in these tracts.

<b>Geographic Distribution of Consumer Loans</b>					
<b>Tract Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
Stub-Year 2021	21.9	0	0.0	0	0.0
2022	21.0	0	0.0	0	0.0
Middle					
Stub-Year 2021	48.8	4	80.0	33	91.7
2022	46.2	10	100.0	103	100.0
Upper					
Stub-Year 2021	29.3	1	20.0	3	8.3
2022	32.8	0	0.0	0	0.0
<b>Totals</b>					
<b>Stub-Year 2021</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, Due to rounding, totals may not equal 100.0%</i>					

### ***Small Farm Loans***

The geographic distribution of small farm loans reflects poor dispersion throughout the AA. While the bank's lending in moderate-income areas exceeded the percentage of farms in those areas in 2021, this is based off the extension of one loan as the bank only originated three small farm loans in 2021. None of the four small farm loans extended in 2022 were to borrowers in the moderate-income CTs.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
Stub-Year 2021	18.3	1	33.3	100	30.3
2022	15.2	0	0.0	0	0.0
Middle					
Stub-Year 2021	44.3	1	33.4	200	60.6
2022	57.1	3	75.0	166	91.7
Upper					
Stub-Year 2021	37.4	1	33.3	30	9.1
2022	27.7	1	25.0	15	8.3
Totals					
Stub-Year 2021	100.0	3	100.0	330	100.0
2022	100.0	4	100.0	181	100.0
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms of different sizes. The bank's reasonable performance in home mortgage and consumer lending primarily supports this conclusion, despite lending volumes in all products remaining low.

### **Home Mortgage Loans**

The distribution of home mortgage loans to individuals of different incomes levels is reasonable. UBC's lending performance to low-income borrowers aligned with demographics in 2021. UBC's performance in 2022 exceeded demographics.

UBC's performance to moderate-income borrowers trailed the demographics in 2021 and 2022. However, considering the bank's performance in lending to borrowers in low-income CTs, the highly competitive market, and the limited housing inventory in the AA, performance is reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
Stub-Year 2021	18.2	2	18.2	88	5.4
2022	15.7	3	23.1	541	35.5
Moderate					
Stub-Year 2021	15.9	1	9.1	81	4.9
2022	17.2	1	7.7	91	6.0
Middle					
Stub-Year 2021	22.8	2	18.2	284	17.3
2022	23.6	4	30.7	391	25.7
Upper					
Stub-Year 2021	43.1	6	54.5	1,187	72.4
2022	43.5	5	38.5	499	32.8
<b>Totals</b>					
<b>Stub-Year 2021</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1,640</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>1,522</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0%</i>					

### **Consumer Loans**

The distribution of consumer loans reflects reasonable penetration among individuals of different income levels, including low-income and moderate-income borrowers. In 2021, UBC's lending to low-income borrowers exceeded the demographic; however, this is based on the extension of only two loans out of a total of five. In 2022, the bank made one out of the ten total loans to low-income borrowers, which trails the demographic. UBC originated no loans to moderate-income borrowers in stub-year 2021; however, in 2022, the bank originated six of the ten consumer loans to moderate-income borrowers, which exceeded the comparable demographic.

Given the bank's performance in lending to low- and moderate-income borrowers throughout the review period and the competition in the AA, examiners considered the bank's performance in lending to low-income and moderate-income borrowers reasonable.

<b>Distribution of Consumer Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
Stub-Year 2021	18.7	2	40.0	15	41.7
2022	17.4	1	10.0	4	3.9
Moderate					
Stub-Year 2021	14.3	0	0.0	0	0.0
2022	15.5	6	60.0	35	34.0
Middle					
Stub-Year 2021	18.7	2	40.0	17	47.2
2022	19.2	3	30.0	64	62.1
Upper					
Stub-Year 2021	48.4	1	20.0	4	11.1
2022	48.0	0	0.0	0	0.0
<b>Totals</b>					
<b>Stub-Year 2021</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					



### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. While UBC granted all of its small farm loans in stub-year 2021 through 2022 to farms with revenues of \$1.0 million or less, its performance is consistent with the percent of farms that reported revenues of \$1.0 million or less at 98.4 percent and 98.8 percent, respectively.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤\$1,000,000					
Stub-Year 2021	98.4	3	100.0	330	100.0
2022	98.8	4	100.0	181	100.0
>\$1,000,000					
Stub-Year 2021	1.2	0	0.0	0	0.0
2022	0.9	0	0.0	0	0.0
YTD 2023	--	0	0.0	0	0.0
Revenue Not Available					
Stub-Year 2021	0.4	0	0.0	0	0.0
2022	0.3	0	0.0	0	0.0
<b>Totals</b>					
<b>Stub-Year 2021</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>330</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### **Response to Complaints**

The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The consumer protection examination reviewed the bank's compliance with 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.

## **APPENDICES**

### **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).

## 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.

**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.

**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.

**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.

**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 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.

**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.