

PUBLIC DISCLOSURE

June 16, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union State Bank
Certificate Number: 15098

204 East Highway 16
Olsburg, Kansas 66520

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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	1
DESCRIPTION OF ASSESSMENT AREA.....	2
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	6
APPENDICES	7
SMALL BANK PERFORMANCE CRITERIA.....	7
GLOSSARY.....	8

INSTITUTION RATING

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

An institution in this group has a satisfactory 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.

Union State Bank's Community Reinvestment Act (CRA) performance under the applicable criteria supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the needs of the assessment area.
- A substantial majority of the small farm and small business loans reviewed were located inside the assessment area.
- The geographic distribution of loans was not evaluated since the assessment area does not contain any low- or moderate-income census tracts.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Union State Bank is a full-service financial institution headquartered in Olsburg, Kansas. The bank is not currently affiliated with a bank holding company or any other lending-related affiliates. The institution received a Satisfactory rating at its previous FDIC CRA evaluation dated June 17, 2019, based on Interagency Small Institution Examination Procedures.

In addition to its main office, the bank operates a full-service branch in Randolph, Kansas. The institution has not opened or closed any offices, and it has not been involved in any mergers or acquisitions since the previous evaluation. The bank offers traditional home mortgage, commercial, agricultural, and consumer loans. Agricultural lending continues to be the bank's primary focus and comprises the largest portion of the loan portfolio.

The bank's deposit products include checking accounts, savings accounts, and certificates of deposit. Alternative banking services include online banking, mobile banking, and one ATM at the Randolph location.

According to the March 31, 2025 Reports of Condition and Income, the bank reported total assets of \$40.5 million, total deposits of \$35.9 million, and total loans of \$16.8 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of March 31, 2025		
Loan Category	\$(000s)	%
Construction and Land Development	135	0.8
Secured by Farmland	4,351	25.8
1-4 Family Residential	276	1.6
Multi-family (5 or more) Residential	–	–
Commercial Real Estate	240	1.4
Total Real Estate Loans	5,002	29.6
Commercial and Industrial	2,873	17.1
Agricultural	7,551	44.8
Consumer	1,412	8.4
Other	6	0.1
Less: Unearned Income	–	–
Total Loans	16,844	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution’s ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Union State Bank designated one assessment area in northeastern Kansas. The assessment area includes the northernmost census tract in Riley County (13.02), and two census tracts in Pottawatomie County (1.01 and 4), which are both located within the Manhattan, Kansas Metropolitan Statistical Area (MSA). The assessment area also contains the entirety of Clay County, and the southern half of Marshall County (census tracts 701.82 and 407.01), which are located in the nonmetropolitan area of Kansas

Economic and Demographic Data

The assessment area is comprised of seven census tracts. According to the 2020 U.S. Census data, the assessment area contains six middle-income census tracts, and one upper-income census tract. Both of the bank’s offices are located in the Manhattan, Kansas MSA. The main office is located within a middle-income census tract, and the Randolph branch is located within an upper-income census tract. The following table provides demographic information on the bank’s assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	7	–	–	85.7	14.3
Population by Geography	23,763	–	–	79.2	20.8
Housing Units by Geography	11,868	–	–	76.4	23.6
Owner-Occupied Units by Geography	8,205	–	–	74.6	25.4
Occupied Rental Units by Geography	2,175	–	–	89.0	11.0
Vacant Units by Geography	1,488	–	–	68.1	31.9
Businesses by Geography	2,564	–	–	78.7	21.3
Farms by Geography	551	–	–	81.7	18.3
Family Distribution by Income Level	7,099	11.5	18.5	24.0	45.9
Household Distribution by Income Level	10,380	17.7	16.9	17.5	47.9
Median Family Income Manhattan, Kansas MSA	\$70,357	Median Housing Value			\$140,434
Median Family Income Nonmetropolitan Kansas	\$65,183	Median Gross Rent			\$741
		Families Below Poverty Level			4.1%
<i>Source: 2020 U.S. Census and 2024 D&B Data. Due to rounding, totals may not equal 100.0%.</i>					

The 2024 D&B data indicates that service industries represent the largest portion of businesses in the assessment area at 26.7 percent; followed by non-classifiable establishments at 19.7 percent; and agriculture, forestry, and fishing at 17.7 percent. This data also indicates that a notable number of area businesses are relatively small, with 94.6 percent of businesses having nine or fewer employees, and 90.7 percent of businesses operating from a single location.

Competition

The competition for financial services in the assessment area is notable. According to June 30, 2024 FDIC Deposit Market Share data, there were 30 financial institutions operating 62 locations within the assessment area. These institutions range from small community banks to larger national financial institutions. Union State Bank ranked 24th holding 0.8 percent of the deposit market share. In addition to the banks reflected in the FDIC Deposit Market Share reports, Union State Bank faces competition from other lenders, such as government agencies and credit unions.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners used an existing community contact interview with a representative of a community organization that serves the assessment area.

The contact indicated the area’s economy is diversified in its businesses and industries. Agriculture plays a significant role in the economy, but education, manufacturing, and government sectors are also economic drivers. Many individuals in the area that are not involved in the agriculture industry commute to Manhattan, Kansas for work. The agriculture economy in the area is primarily reliant on cattle operations, and the contact noted these operations have benefitted from relatively high cattle prices. Conversely, crop farmers have had struggles due to low commodity prices and higher input costs. In addition, a substantial manufacturing business recently closed in Pottawatomie

County. The contact also emphasized that first-time homebuyers are having difficulty finding affordable housing in Pottawatomie County.

The contact stated that agriculture, small business, and home mortgage loans are all primary credit needs in the area. The individual felt that the area banks support the community, and they are meeting the credit needs in the area.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm lending represents the primary credit need of the assessment area, but small business and home mortgage loans also represent credit needs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 17, 2019, to the current evaluation dated June 16, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance.

Activities Reviewed

Examiners determined that the bank's major lending products are agricultural and commercial loans. Therefore, examiners reviewed small farm and small business loans based on the bank's business strategy, loan portfolio composition, and the number and dollar volume of loans originated during the evaluation period. Home mortgage loans were not reviewed as a part of this evaluation as it is not a primary focus for the bank, comprising only 1.6 percent of the loan portfolio as of March 31, 2025. Agricultural lending is the institution's primary lending focus; therefore, small farm loans received the most weight when determining overall conclusions.

Examiners reviewed all small farm and small business loans originated, renewed, or extended in 2024. This period was considered representative of the bank's overall performance during the entire review period. According to 2024 bank records, Union State Bank originated 178 small farm loans totaling \$7.7 million, and 53 small business loans totaling \$2.8 million.

For the Lending Test, examiners reviewed the entire universe of small farm and small business loans to evaluate the Assessment Area Concentration criterion. For the Borrower Profile criterion, examiners reviewed a sample of 51 small farm loans totaling \$2.8 million, and 30 small business loans totaling \$805,000. The 2024 D&B data provided a standard of comparison for the bank's small farm and small business lending performance under the Borrower Profile analyses. Although this evaluation presents both the number and dollar volume of loans, examiners emphasized performance by the number of loans as it is a better indicator of the number of farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Union State Bank demonstrates satisfactory performance under the Lending Test. The bank’s performance in all evaluated criteria collectively supports this conclusion.

Loan-to-Deposit Ratio

Union State Bank’s average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment area. The bank’s performance was evaluated based on the average of the 24 quarterly net loan-to-deposit ratios since the prior evaluation. The resulting average net loan-to-deposit ratio of 42.6 percent is similar to comparable institutions during the same evaluation period. Examiners selected comparable banks based on their asset size, geographic location, and portfolio composition. See the following table for details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2025 (\$000s)	Average Net Loan-to- Deposit Ratio (%)
Union State Bank, Olsburg, Kansas	40,486	42.6
First National Bank in Frankfort, Frankfort, Kansas	59,539	48.7
The Farmers State Bank, Dwight, Kansas	18,251	49.6
<i>Source: Reports of Condition and Income 6/30/2019 to 3/31/2025</i>		

Assessment Area Concentration

The bank originated a substantial majority of small farm and small business loans inside the assessment area. The following table presents a breakdown of lending inside and outside of the assessment area.

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		
	#	%	#	%		\$	%	\$	%	
Small Farm	163	91.6	15	8.4	178	7,461	96.9	238	3.1	7,699
Small Business	43	81.1	10	18.9	53	2,402	84.5	439	15.5	2,841
Total	206	89.2	25	10.8	231	9,863	93.6	677	6.4	10,540
<i>Source: 2024 Bank Data</i>										

Geographic Distribution

The assessment area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The bank’s lending performance demonstrates reasonable penetration among farms and businesses of different revenue sizes. Although the small business lending performance is excellent, the bank’s reasonable small farm lending performance primarily supports this conclusion. For this criterion, examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less.

Small Farm Loans

The borrower distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. The following table indicates the percentage of small farm loans to operations with revenues of \$1 million or less is comparable to demographic data for this same revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤\$1,000,000	97.8	49	96.1	2,565	92.8
>\$1,000,000	1.3	2	3.9	200	7.2
Revenue Not Available	0.9	0	0.0	0	0.0
Total	100.0	51	100.0	2,765	100.0

Source: 2024 D&B Data, Bank Data

Small Business Loans

The borrower distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. All of the 30 sampled small business loans were made to operations with revenues of \$1 million or less. This significantly exceeds demographic data, which indicates that 85.1 percent of assessment area businesses are in this same revenue category.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, 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.