

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
BY FEDERAL DEPOSIT INSURANCE CORPORATION
PUBLIC SECTION

PUBLIC DISCLOSURE

February 5, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Bank of Union
Certificate Number: 14334

15 East Main Street
Union, Missouri 63084

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.

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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.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The institution originated a majority of small business and home mortgage loans in its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous CRA evaluation performed as of March 8, 2021.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

DESCRIPTION OF INSTITUTION

United Bank of Union is a full-service commercial bank headquartered in Union, Missouri. The bank is wholly owned by Cardinal Bancorp II, Inc., a one-bank holding company, located in Washington, Missouri. The bank is affiliated through common ownership with CNB St. Louis Bank, Maplewood, Missouri, and Bank of Washington, Washington, Missouri. No merger or acquisition activities have occurred since the prior evaluation. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated March 8, 2021, which utilized Intermediate Small Institution Examination Procedures.

In addition to the main office, the bank continues to operate two full-service branches in Union. Management also operates a deposit-taking ATM at each office and one cash-dispensing ATM at a convenience store in Beaufort, Missouri. All branches and ATMs are located in Franklin County, which is in the western portion of the St. Louis, Missouri-Illinois Metropolitan Statistical Area (MSA).

The bank's primary business focus continues to be commercial lending, and to a lesser extent, residential lending. The bank also originates and sells residential real estate loans on the secondary market. Additionally, the bank offers Small Business Administration (SBA) loans. Agricultural, construction, and consumer loans are also offered. The institution offers a variety of deposit services including checking accounts, savings accounts, money market deposit accounts, and certificates of deposit for consumers and businesses. Alternative banking services include internet and mobile banking and electronic bill pay.

According to the Consolidated Reports of Condition and Income (Call Report) as of September 30, 2023, total assets equaled \$534.4 million and included total loans of \$415.4 million and total securities of \$78.6 million. Total deposits equaled \$453.0 million. These figures have all increased since the prior evaluation when total assets equaled \$424.8 million, total loans equaled \$313.9 million, total securities equaled \$76.7 million, and total deposits equaled \$348.2 million. As illustrated in the following table, commercial lending represents 55.2 percent of the loan portfolio, followed by residential lending at 27.2 percent.

Loan Portfolio Distribution as of 09/30/2023		
Loan Category	\$(000s)	%
Construction and Land Development	62,429	15.0
Secured by Farmland	5,081	1.2
1-4 Family Residential	89,904	21.6
Multi-family (5 or more) Residential	23,208	5.6
Commercial Real Estate	139,387	33.6
Total Real Estate Loans	320,009	77.0
Commercial and Industrial	89,905	21.6
Agricultural	271	0.1
Consumer	4,688	1.1
Obligations of States and Political Subdivisions in the U.S.	0	0.0
Other	0	0.0
Lease Financing Receivables	495	0.1
Total Loans	415,368	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments affecting the bank's ability to meet the assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA regulation requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. United Bank of Union has designated one assessment area comprised of Franklin County, within the St. Louis, Missouri-Illinois MSA. While the boundaries of the assessment area have not changed since the prior evaluation, the number of census tracts that comprise the assessment area increased from 17 to 28. This increase was due to population growth and commercial development in the area prior to the 2020 U.S. Census. Based on 2020 U.S. Census data, the assessment area consists of 7 moderate-income, 18 middle-income, and 3 upper-income census tracts.

Economic and Demographic Data

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

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	28	0.0	25.0	64.3	10.7
Population by Geography	104,682	0.0	25.6	67.8	6.6
Housing Units by Geography	45,507	0.0	26.9	66.9	6.2
Owner-Occupied Units by Geography	31,765	0.0	21.7	71.4	6.9
Occupied Rental Units by Geography	9,362	0.0	42.9	53.5	3.7
Vacant Units by Geography	4,380	0.0	30.2	63.5	6.3
Businesses by Geography	14,263	0.0	29.8	62.3	7.9
Farms by Geography	916	0.0	23.1	68.6	8.3
Family Distribution by Income Level	28,149	22.3	22.0	25.4	30.4
Household Distribution by Income Level	41,127	24.4	18.7	19.0	37.9
Median Family Income - St. Louis, MO-IL MSA		\$84,758	Median Housing Value		\$176,821
Families Below Poverty Level		6.9%	Median Gross Rent		\$765

*Source: 2020 U.S. Census and 2023 D&B Data
Due to rounding, totals may not equal 100.0%*

The FFIEC-updated median family incomes for the St. Louis, Missouri-Illinois MSA were used to analyze home mortgage lending performance under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges in the St. Louis, MO-IL MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$82,600)	<\$41,300	\$41,300 to <\$66,080	\$66,080 to <\$99,120	≥\$99,120
2021 (\$84,700)	<\$42,350	\$42,350 to <\$67,760	\$67,760 to <\$101,640	≥\$101,640
2022 (\$96,800)	<\$48,400	\$48,400 to <\$77,440	\$77,440 to <\$116,160	≥\$116,160

Source: FFIEC

Competition

United Bank of Union operates in a competitive market for credit products and financial services given the assessment area's size. According to FDIC Deposit Market Share data as of June 30, 2023, there were 16 financial institutions operating 41 offices within Franklin County. These institutions range from small community banks to large, regional institutions. United Bank of Union ranked third with 12.7 percent of the deposit market share.

The bank is not required to collect or report small business lending data, but is required collect and report home mortgage lending data pursuant to the Home Mortgage Disclosure Act (HMDA). Aggregate lending data serves as a useful indicator of loan demand and competition for home

mortgage and small business loans. Aggregate small business lending data for 2022, the most recent data available, revealed that 65 lenders reported 2,261 loans in Franklin County. Aggregate home mortgage lending data for 2022 revealed that 246 lenders reported 4,661 loans in Franklin County. Of these lenders, United Bank of Union ranked third with a market share of 4.8 percent for home mortgage loans. These levels of activity indicate a high degree of competition for home mortgage and small business loans, given the size of the assessment area.

Community Contact

Examiners conduct community contact interviews to obtain a profile of the local community, identify credit needs and opportunities, and evaluate local financial institutions' responsiveness to those needs. Examiners reviewed a recent community contact interview that was conducted with an individual from a community development organization within the assessment area. The community contact provided the following comments. Economic conditions in Franklin County are strong. Strengths of the area include quality of life and the depth of manufacturing in the local economy, while weaknesses include a lack of housing and slow population growth. The contact identified a need for additional hotel accommodations, in addition to a need for more affordable housing. Overall, financial institutions are meeting banking and credit needs, and creditworthy individuals and businesses can obtain financing. Lower-income families generally cannot afford to purchase a home, and the lack of available housing stock serves as a barrier.

Credit and Community Development Needs and Opportunities

Considering information from bank management, the community contact, and demographic and economic data, small business and home mortgage loans represent primary credit needs in the assessment area. In addition, the community contact identified a general lack of affordable housing as a specific community development need. The assessment area provides opportunities for banks to participate in community development activities through affordable housing initiatives, economic development, and community services targeted to low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated March 8, 2021, through the current evaluation dated February 5, 2024. Examiners used FFIEC Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance, which includes the Lending and Community Development tests. Please refer to the *Intermediate Small Bank Performance Criteria* section of the appendices for a summary of these tests. Affiliate lending activities were not considered in this evaluation.

Activities Reviewed

The bank's primary business focus is commercial lending. This conclusion considered the bank's business strategy and Call Report data. Residential real estate lending comprises the second largest portion of the loan portfolio. As a result, examiners reviewed small business and home mortgage loans to evaluate CRA performance, with small business lending receiving greater weight when drawing overall conclusions. Bank records and discussions with management indicated the product mix remained consistent throughout the evaluation period. Small farm loans were not reviewed during this evaluation since agricultural lending is not a major product line.

For the Lending Test, examiners considered all small business loans originated or renewed in 2023. Management indicated that a review of lending activity from this timeframe would yield a representative analysis of small business lending performance since the prior evaluation. The bank originated 187 small business loans totaling \$31.0 million. Examiners reviewed the entire universe of loans to evaluate Assessment Area Concentration. However, the Geographic Distribution analysis only focused on loans made within the assessment area, which consisted of 131 loans totaling \$21.6 million. For the Borrower Profile analysis, examiners reviewed a sample of 53 loans totaling \$9.9 million within the assessment area. Examiners compared small business lending performance to 2023 D&B business demographic data.

Examiners also reviewed and analyzed all home mortgage loans reported on the bank's HMDA loan application registers in 2020, 2021, and 2022. The institution reported 626 loans totaling \$133.0 million in 2020; 469 loans totaling \$86.3 million in 2021; and 287 loans totaling \$58.6 million in 2022. The Geographic Distribution and Borrower Profile analyses included all home mortgage loans originated inside the assessment area, which included 455 loans totaling \$78.3 million in 2020; 352 loans totaling \$59.2 million in 2021; and 191 loans totaling \$29.4 million in 2022. While examiners reviewed all three years of home mortgage lending, only 2022 HMDA data is presented for the Geographic Distribution and Borrower Profile analyses, as examiners did not identify any trends between years that materially impacted overall conclusions. Home mortgage lending performance in 2022 was compared to aggregate lending data and 2020 U.S. Census data. Examiners primarily focus on comparisons to aggregate lending data since this data is a better indicator of market conditions and area loan demand.

Examiners analyzed lending performance by both number and dollar volume of loans. However, examiners emphasized performance by number of loans when evaluating the Geographic Distribution and Borrower Profile criteria, as it is generally a better indicator of the efforts to serve small businesses and low- and moderate-income individuals.

For the Community Development Test, examiners considered community development loans, qualified investments, and community development services since the prior evaluation. Qualified investments purchased before the prior evaluation that remained outstanding as of February 5, 2024, were also considered. Examiners excluded loans considered under the Lending Test from the Community Development Test.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

United Bank of Union demonstrated satisfactory performance under the Lending Test, which is collectively supported by performance under all evaluated criteria.

Loan-to-Deposit Ratio

The net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The net loan-to-deposit ratio, calculated from Call Report data, averaged 90.3 percent over the past 11 calendar quarters from March 31, 2021, to September 30, 2023. The ratio ranged from a low of 80.7 percent, as of March 31, 2021, to a high of 90.3 percent,

as of September 30, 2023. As shown in the following table, the institution's average net loan-to-deposit ratio compares reasonably to comparable institutions. Examiners identified comparable institutions based on their asset size, lending focus, branching structure, and geographic location.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2023 (\$000s)	Average Net LTD Ratio (%)
United Bank of Union, Union, Missouri	534,357	90.3
Farmers and Merchants Bank of Saint Clair, Saint Clair, Missouri	337,217	72.5
Heritage Community Bank, Union, Missouri	247,175	105.4

Source: Reports of Condition and Income 03/31/2021 through 09/30/2023

Assessment Area Concentration

United Bank of Union extended a majority of small business and home mortgage loans within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Business	131	70.1	56	29.9	187	21,614	69.7	9,403	30.3	31,017
Home Mortgage										
2022	191	66.6	96	33.4	287	29,389	50.2	29,209	49.8	58,598
2021	352	75.1	117	24.9	469	59,150	68.6	27,137	31.4	86,287
2020	455	72.7	171	27.3	626	78,336	58.9	54,632	41.1	132,968
HMDA Subtotal	998	72.2	384	27.8	1,382	166,875	60.1	110,978	39.9	277,853

*Source: Bank Data
Due to rounding, totals may not equal 100.0%*

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentages by number of loans made in the moderate-income census tracts within the assessment area.

Small Business Loans

As shown in the following table, the bank's small business lending in moderate-income census tracts is 16.8 percent less than the percentage of businesses in these tracts. When evaluating this performance, examiners considered that six competing financial institutions operate in or in closer proximity to six of the seven moderate-income census tracts in the assessment area. Additionally, six of the ten largest small business lenders in Franklin County were credit card institutions, indicating that area businesses are actively using revolving credit to address ongoing credit needs. Considering these competitive factors, the geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	29.8	17	13.0	2,187	10.1
Middle	62.3	111	84.7	18,969	87.8
Upper	7.9	3	2.3	458	2.1
Totals	100.0	131	100.0	21,614	100.0

*Source: 2023 D&B Data; Bank Data.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank's lending in moderate-income geographies is comparable to aggregate lending data and demographic data. See the following table for details.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	21.7	24.0	43	22.5	6,530	22.2
Middle	71.4	69.1	141	73.8	21,142	71.9
Upper	6.9	6.8	7	3.7	1,717	5.8
Totals	100.0	100.0	191	100.0	29,389	100.0

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels. Examiners focused on the number of loans to businesses with gross annual revenues of \$1 million or less and loans to low- and moderate-income borrowers.

Small Business Loans

As illustrated in the following table, the percentage of small business loans made to businesses with gross annual revenues of \$1 million or less significantly lags the percentage of businesses in this revenue category. However, of the 18 loans made to businesses with revenues exceeding \$1 million, 10 were made to the same few borrowers, which skews the respective lending percentages. In addition, all 7 loans in the Revenue Not Available category were to newly formed business entities. While United Bank of Union does not report small business data, aggregate lending data provides an indicator of loan demand and other relevant performance context factors. Aggregate performance in 2022, the most recent data available, revealed that 50.4 percent of loans were to small businesses with gross annual revenues of \$1 million or less. Considering these factors, the distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	91.4	28	52.8	3,089	31.2
>\$1,000,000	2.8	18	34.0	4,459	45.0
Revenue Not Available	5.8	7	13.2	2,356	23.8
Total	100.0	53	100.0	9,904	100.0

*Source: 2023 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As shown in the following table, the bank's lending to low-income individuals exceeds comparable demographic data and aggregate lending data. Lending to moderate-income individuals is comparable to aggregate lending data and demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.3	17.0	50	26.2	4,514	15.4
Moderate	22.0	23.5	47	24.6	6,273	21.3
Middle	25.4	19.4	30	15.7	4,430	15.1
Upper	30.4	20.1	43	22.5	9,853	33.5
Not Available	0.0	20.1	21	11.0	4,320	14.7
Totals	100.0	100.0	191	100.0	29,389	100.0

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

United Bank of Union's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Examiners compared the bank's level of community development activity to three financial institutions with similar business focuses and asset sizes operating within the St. Louis, Missouri-Illinois MSA. These institutions were also evaluated using Interagency Intermediate Small Institution Examination Procedures.

Community Development Loans

United Bank of Union originated or renewed 105 community development loans totaling \$42.4 million during the evaluation period. This level of community development lending represents 7.9 percent of total assets and 10.4 percent of net loans as of September 30, 2023. These ratios have declined since the prior evaluation, when these ratios were 14.6 percent and 20.1 percent, respectively. However, the institution originated a notable volume of SBA Paycheck Protection Program loans during the prior evaluation period, which boosted both ratios and overall community development lending activity.

United Bank of Union's community development lending levels are similar to comparable institutions' lending levels. The comparable institutions originated or renewed community development loans ranging from \$54.4 million to \$138.2 million, some of which included SBA Paycheck Protection Program loan activity. Community development lending ranged from 9.3 percent to 15.8 percent of total assets and 16.2 percent to 18.4 percent of net loans for these comparable institutions.

Loans originated in the broader statewide/regional area are included in this analysis since the bank appropriately addressed the community development needs of its assessment area. The following tables illustrate the bank's community development lending activity by category, area, and activity year.

Community Development Lending by Activity Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	0	0	0	0	81	5,932	0	0	81	5,932
Statewide/Regional Area	3	10,845	4	13,900	15	4,565	2	7,179	24	36,489
Total	3	10,845	4	13,900	96	10,497	2	7,179	105	42,421

Source: Bank Data

Community Development Lending by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (partial)	1	2,520	1	2,500	83	2,935	0	0	85	7,955
2022	2	8,325	1	1,000	13	7,562	2	7,179	18	24,066
2023	0	0	2	10,400	0	0	0	0	2	10,400
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Total	3	10,845	4	13,900	96	10,497	2	7,179	105	42,421

Source: Bank Data

The following points summarize notable examples of the bank’s community development lending during the evaluation period.

- In 2022, the bank renewed a \$1.7 million loan to provide needed financing to a business located in a moderate-income census tract that employs low- and moderate-income individuals.
- In 2023, the bank renewed two loans totaling \$7.1 million to finish the construction of a medical facility located in a low-income census tract in the broader statewide area.
- In 2022, the bank originated two loans totaling \$12.9 million to provide financing for low-income housing developments in the broader regional area.
- In 2021 and 2022, the bank originated two loans totaling \$3.5 million to finance equipment, software, and needed inputs for a business located in a low-income census tract that services the surrounding community.

Qualified Investments

United Bank of Union made 43 qualified investments, including donations and grants, totaling \$3.0 million. The substantial majority of these investments were in local school district bonds where a majority of the student population qualifies for free or reduced-price lunches.

The volume of qualified investments represents 0.6 percent of total assets and 3.8 percent of total securities as of September 30, 2023. These ratios have declined since the prior evaluation, when the ratios were 2.2 percent and 12.4 percent, respectively. United Bank of Union’s qualified investment activity is similar to comparable institutions’ activities. Comparable institutions had qualified investments ranging from 0.2 percent to 0.3 percent of total assets and 0.6 percent to 9.2 percent of total securities. The following tables summarize the bank’s qualified investment activity by category, area, and activity year.

Qualified Investments by Activity Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	0	0	39	3,017	2	1	0	0	41	3,018
Statewide/Regional Area	0	0	2	<1	0	0	0	0	2	<1
Total	0	0	41	3,017	2	1	0	0	43	3,018

Source: Bank Data