

PUBLIC DISCLOSURE

April 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union State Bank
Certificate Number: 11886

100 East Main Street
Florence, Texas 76527

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

1601 Bryan Street
Dallas, Texas 75201

NOTE: 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.

INSTITUTION RATING

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Although the two tests receive equal weighting, examiners concluded that the excellent Community Development Test record sufficiently lifted the satisfactory Lending Test record to warrant the higher overall rating. For this evaluation, examiners reviewed those tests and performance factors applicable to intermediate small banks. Intermediate small banks are defined as institutions with total assets of at least \$300 million as of December 31 of both the prior two calendar years, and less than \$1.202 billion as of December 31 of either of the prior two calendar years. Appendix B lists all the criteria used to evaluate the Lending Test and the Community Development Test. The following discussion summarizes the performance regarding each test, discussed in detail elsewhere.

Lending Test

Union State Bank demonstrated an overall satisfactory record regarding the Lending Test. Reasonable records regarding both loan distribution factors support this conclusion. Examiners considered the bank's small business loans in the two assessment areas in which it operates when arriving at applicable conclusions and ratings. The following points summarize the bank's performance regarding the Lending Test performance factors.

- The bank exhibited a reasonable record regarding its loan-to-deposit ratio. A reasonable comparative level lifted the poor overall level to support this conclusion.
- The institution originated a substantial majority of its sampled small business loans inside its assessment areas.
- The bank established a reasonable record in the Killeen MSA AA regarding its borrower profile loan distribution. A reasonable record to businesses with revenues of \$1 million or less supports this conclusion.
- The institution achieved a reasonable record in the Killeen MSA AA regarding its geographical loan distribution. A reasonable record in moderate-income geographies supports this conclusion.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this performance factor did not affect the Lending Test rating.

Community Development Test

Union State Bank exhibited an excellent record regarding the Community Development Test. Excellent records regarding community development loans and community development services primarily support this conclusion.

Table 13 – Qualified Investments Whole Bank					
Qualifying Category	Activity Year				Totals Per Category
	*2011**	2012	2013	2014	
Affordable Housing:					
Number	2	2	5	2	11
Dollar Amount \$(000)	864	10	603	500	1,977
CD Services Targeted to LMI:					
Number	35	28	29	3	95
Dollar Amount \$(000)	85	142	154	4	385
Economic Development:					
Number	0	0	0	0	0
Dollar Amount \$(000)	0	0	0	0	0
Revitalize or Stabilize:					
Number	0	0	0	0	0
Dollar Amount \$(000)	0	0	0	0	0
Abandoned/Foreclosed Homes:					
Number	0	0	0	0	0
Dollar Amount \$(000)	0	0	0	0	0
Totals Per Year:					
Number	37	30	34	5	106
Dollar Amount \$(000)	949	152	757	504	2,362

Source: Bank records. *2011 Includes prior period investment **Obtained since the previous 2/22/11 evaluation

The following point provides examples of the bank’s qualified investment activities:

- **Affordable Housing** – Bank purchased an investment, with a qualifying underlying security, benefitting the Senior Housing Crime Prevention Foundation in August, 2013, for \$500,000. The yield from the investment provided usable funds totaling \$5,651 since the purchase to this organization. The yields from prior investment, with a non-qualifying underlying security, also provided usable funds totaling \$23,542 since the prior evaluation to the date of sale in August 2013. This investment provides safe, secure, crime free affordable housing to low- or moderate-income senior citizens in the Austin MSA AA.
- **Community Service** – Bank provided \$120,000 to Texas A&M University Central Texas for scholarships in 2012 and 2013 which will be awarded to individuals with low- or moderate-income. The bank has committed to provide \$300,000 over a 5-year period.

Community Development Services

The bank established an excellent record of providing community development services. Excellent performance regarding the types of services primarily supports this conclusion. Examiners evaluated the types of services and the availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.