

PUBLIC DISCLOSURE

August 11, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union State Bank
Certificate Number: 5602

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Pell City, Alabama 35125

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

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Atlanta, Georgia 30309-3849

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 following points summarize the bank's Lending Test performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects poor dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income).
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Union State Bank (USB) is a state chartered, community bank headquartered in Pell City, Alabama. The bank is wholly owned by Union Bancshares, Inc., a one-bank holding company, also located in Pell City, Alabama (St. Clair County). USB received a "Satisfactory" rating at its previous FDIC Community Reinvestment Act Performance Evaluation, dated May 21, 2019, which was based on Interagency Small Bank Examination Procedures.

USB serves St. Clair, Jefferson, Shelby, and Cherokee Counties through its eight banking locations in Alabama. Since the previous evaluation, the bank closed its Destin, Florida, branch (Okaloosa County) on January 31, 2022 (upper-income census tract). Subsequently, the bank opened a loan production office (LPO) in the same location on June 1, 2022, but closed the LPO on June 28, 2024. As a result, the bank discontinued serving the Okaloosa, Florida, Assessment Area. Additionally, the bank closed its Trussville, Alabama, branch on August 26, 2022 (upper-income census tract), Lakeshore Drive Birmingham, Alabama, branch on March 31, 2023 (upper-income census tract), and its Pelham, Alabama, branch on August 31, 2023 (middle-income census tract). Lastly, the bank closed a Pell City drive-thru facility on March 10, 2025, with the intention to relocate drive-thru services to its main office in Pell City, Alabama. Based on the remaining locations, the bank continues to operate in two assessment areas: the Birmingham, Alabama, Metropolitan Statistical Area (MSA) and the Alabama Non-MSA (NMSA). The bank has not

participated in any merger or acquisition activities since the previous evaluation. The branch closures since the previous evaluation have not had a detrimental effect on low- and moderate-income areas.

USB continues to offer a traditional suite of loan and deposit products to customers throughout the assessment areas; however, the bank maintains a focus on commercial lending. Loan products include commercial, agricultural, residential, consumer, and credit card loans for business or personal use. Deposit products and services include checking, savings, and high yield/high-performance money market accounts. The bank also offers insurance and investment products through its subsidiary, Union State Insurance. Alternative banking services include internet and mobile banking, electronic bill payment, and proprietary automated teller machines. To further serve its customers, the bank maintains a website that offers information on bank products and services.

As of June 30, 2025, USB’s assets totaled \$216.0 million, loans totaled \$82.3 million, and deposits totaled \$206.9 million. Business loans (loans secured by non-farm, non-residential properties and commercial and industrial loans) and home mortgage loans (one-to-four family residential properties) remain significant loan types for the institution. The following table shows the loan portfolio distribution by loan category.

Loan Portfolio Distribution as of 6/30/2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	12,909	15.7
Secured by Farmland	286	0.4
Secured by 1-4 Family Residential Properties	17,230	20.9
Secured by Multifamily (5 or more) Residential Properties	3,415	4.2
Secured by Nonfarm Nonresidential Properties	33,679	40.9
Total Real Estate Loans	67,519	82.1
Agricultural Production and Other Loans to Farmers	143	0.2
Commercial and Industrial Loans	8,788	10.7
Consumer Loans	3,312	4.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	2,490	3.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	82,252	100.0
<i>Source: 06/30/2025 Reports of Condition and Income (Call Report)</i>		

Examiners note that USB continues to operate under Consent Orders that can affect the bank’s ability to meet assessment area credit needs. The bank continues to operate under a Joint Order and a separate State Order, both effective October 24, 2022. This has impacted the bank’s ability to extend credit within its assessment areas, resulting in a reduction in loan volume.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define the assessment areas within which its CRA performance will be evaluated. USB has defined two assessment areas that consist of MSA counties and Non-MSA counties in Alabama. The Birmingham MSA assessment area consists of all of Jefferson, Shelby, and St. Clair counties in Alabama, all of which are a part of the Birmingham, MSA. The second assessment area, Alabama NMSA, consists of Cherokee County in its entirety, which is a NMSA county. As previously stated, USB no longer operates in Florida. Refer to the individual assessment area sections for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Birmingham MSA	Jefferson, Shelby, and St. Clair	268	6
Alabama NMSA	Cherokee	8	2

Source: Bank Data

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated May 21, 2019, to the current evaluation dated August 11, 2025. Examiners used the Small Institution Examination Procedures to evaluate USB’s CRA performance. As described in the Appendices, these procedures include the Lending Test. The Birmingham MSA and Alabama NMSA assessment areas received full-scope reviews given the level of lending operations, deposits, and branching in each area. However, examiners placed greater weight on the Birmingham MSA assessment area due to operations and lending activity since the previous evaluation. The table below reflects the bank’s operational activity in each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Birmingham MSA	7,279	89.3	148,556	70.9	6	75.0
Alabama NMSA	872	10.7	60,984	29.1	2	25.0
Total	8,151	100.0	209,540	100.0	8	100.0

Source: Bank Records (2024 Small Business and Home Mortgage Loans); FDIC Summary of Deposits (06/30/2024)

Activities Reviewed

The CRA regulation requires a review of lending performance with respect to small business, home mortgage, and small farm lending, if significant. Examiners determined the bank’s major product lines are small business and home mortgage loans based on business strategy, as well as the number and dollar volume of loans originated during the evaluation period. However, examiners did not review home mortgage lending in the Alabama NMSA assessment area since the bank did not originate any such loans in that assessment area in 2024. Further, since small farm and consumer

loans do not represent major product lines and would not materially affect any conclusions, this evaluation does not include a review of them.

USB is not required to report small business loan data under CRA regulations. Therefore, examiners used bank records to identify and analyze small business loans originated in 2024, the most recent full calendar year of available data. Examiners considered the universe of 63 small business loans totaling \$9.1 million. The volume of small business loan originations in 2024 is reflective of the bank's lending during the evaluation period. Examiners compared the bank's 2024 small business lending to 2024 D&B business demographic data.

USB is not subject to Home Mortgage Disclosure Act reporting requirements. Therefore, examiners utilized 2024 data, which is the most recent full calendar year of available data. Examiners considered the universe of 19 home mortgages totaling \$3.1 million. Examiners compared the bank's lending performance to 2020 U.S Census data. Lending performance in 2024 is representative of the evaluation period.

The tables presented in the evaluation represent both the number and dollar volume of loans. However, examiners emphasize performance by number of loans, as the number of loans is a better indicator of the number of businesses and individuals served. Considering the overall volume of loans, examiners placed more consideration on small business lending performance for this evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

USB demonstrated a satisfactory record under the Lending Test. The reasonable LTD ratio, a majority of loans within the assessment areas, and reasonable borrower profile outweighed poor geographic distribution to support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. USB's average net LTD ratio, calculated from its Call Reports, averaged 35.4 percent over the previous 25 quarters from June 30, 2019, to June 30, 2025. The net LTD ratio ranged from a low of 26.4 percent as of December 31, 2021, to a high of 46.2 percent as of September 30, 2019. The ratio has fluctuated since the previous evaluation, declining consecutively each quarter until March 31, 2022, when it began to slowly increase.

Examiners considered several factors red in determining the reasonableness of USB's average net LTD ratio. USB maintains large balances of public funds, which impacts the average net LTD ratio. The bank's percentage of public funds accounts for 19.7 percent of all deposits as of the most recent Call Report and averaged 22.0 percent during the evaluation period. As previously noted, the bank is operating under active Consent Orders, which restrict its ability to originate loans.

Examiners chose the similarly situated institutions based on asset size, geographic location, and lending focus. The analysis compared the bank’s average net LTD ratio during the same 25 quarter period. USB’s average net LTD ratio is reasonable in comparison to the three similarly situated institutions. The following table presents the average net LTD ratio for the bank as well as the similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 06/30/2025 (\$000s)	Average Net LTD Ratio (%)
Union State Bank, Pell City, AL	216,027	35.4
First Financial Bank, Bessemer, AL	242,093	48.9
Farmers and Merchants Bank, Piedmont, AL	314,657	53.4
Pinnacle Bank, Jasper, AL	353,216	42.4

Source: Reports of Condition and Income 06/30/2019 – 06/30/2025

Assessment Area Concentration

A majority of loans are in the institution’s assessment areas. Refer to the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	54	85.7	9	14.3	63	5,974	65.7	3,115	34.3	9,089
Home Mortgage	16	84.2	3	15.8	19	2,177	69.2	967	30.8	3,144
Total	70	85.4	12	14.6	82	8,151	66.6	4,082	33.4	12,233

Source: Bank Data

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment areas. Performance is consistent in the Birmingham MSA assessment area, but USB’s performance in the Alabama NMSA assessment area is above that at the institution level. Examiners placed more weight on the bank’s performance in the Birmingham MSA. Only loans extended within the assessment areas are included in the analyses. Refer to the *Geographic Distribution* section of each assessment area for further details.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes and individuals of different incomes (including low- and moderate-income). Performance is consistent in the Birmingham MSA assessment area, but USB’s performance in the Alabama NMSA assessment area is above that at the institution level. Examiners placed more weight on the bank’s performance in the Birmingham MSA. Only

loans extended within the assessment areas are included in the analyses. Refer to the *Borrower Profile* section of each assessment area for further details.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with 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.

BIRMINGHAM MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BIRMINGHAM MSA ASSESSMENT AREA

USB's Birmingham MSA assessment area consists of all of Jefferson, Shelby, and St. Clair Counties. These counties partially comprise the Birmingham, Alabama MSA. USB continues to operate six branches within the assessment area: one in a moderate-income census tract and five in middle-income census tracts.

Economic and Demographic Data

The Birmingham MSA assessment area tracts reflect the following income designations: 24 low-, 61 moderate-, 93 middle-, and 83 upper-income census tracts. Additionally, 7 tracts have no income designation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Birmingham MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	268	9.0	22.8	34.7	31.0	2.6
Population by Geography	988,848	6.3	18.7	36.2	37.4	1.4
Housing Units by Geography	433,897	8.3	22.1	34.7	33.6	1.3
Owner-Occupied Units by Geography	258,110	4.1	16.9	37.6	40.6	0.7
Occupied Rental Units by Geography	119,212	13.9	29.4	30.6	23.7	2.4
Vacant Units by Geography	56,575	15.7	30.0	30.2	22.4	1.8
Businesses by Geography	108,625	6.2	15.7	31.8	45.1	1.2
Farms by Geography	738	2.0	7.2	42.1	48.1	0.5
Family Distribution by Income Level	244,595	21.0	16.4	18.5	44.1	0.0
Household Distribution by Income Level	377,322	24.1	15.2	16.9	43.8	0.0
Median Family Income-13820 Birmingham, AL MSA		\$74,058	Median Housing Value			\$194,227
Families Below Poverty Level		9.4%	Median Gross Rent			\$938
<i>Source: 2020 U.S. Census and 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.</i>						

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenues. The D&B 2024 distribution of businesses based on gross annual revenue is listed below.

- 89.4 percent had \$1.0 million or less,
- 2.4 percent had more than \$1.0 million, and
- 8.3 percent had unknown revenues.

Examiners used the Federal Financial Institutions Examination Council (FFIEC)-updated median family income (MFI) levels for the Birmingham MSA to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the applicable income ranges based on the 2024 FFIEC-estimated MFI of \$90,900 for the Birmingham MSA.

Median Family Income Ranges – Birmingham MSA				
Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
2024 (\$90,900)	< \$45,450	\$45,450 to < \$72,720	\$72,720 to < \$109,080	≥ \$109,080
<i>Source: FFIEC</i>				

According to Moody’s Economy.com, Inc., Précis Metro, dated August 2025, the Birmingham Alabama MSA’s key industries – government and professional and business services – have seen little job creation over the past year. However, support comes from healthcare and consumer-driven industries. The unemployment rate has declined to its lowest point in the last year due to a deceleration in labor force growth. Although single-family house prices are slightly below Alabama state and national prices, slower permit issuance is maintaining upward pressure on prices.

As shown in the table below, the annual unemployment rates for the assessment area counties, the state, and the nation remained steady in 2024 and 2025. The unemployment rates for Shelby and St. Clair counties remain lower than the state and national rates. Jefferson County’s unemployment

rate is slightly higher than the Alabama state rate but lower than the national rate during the evaluation period.

Unemployment Rates		
Area	2024	June 2025
	%	%
Jefferson County, Alabama	3.1	3.1
Shelby County, Alabama	2.4	2.4
St. Clair County, Alabama	2.6	2.5
State of Alabama	3.1	3.0
National Average	4.0	4.4
<i>Source: Bureau of Labor Statistics</i>		

Competition

There is a high level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, USB competes with local banks, credit unions, and finance companies. As of June 30, 2025, 43 FDIC-insured institutions operated 250 offices within the assessment area. The top three banks by deposit market share are Regions Bank; PNC Bank, National Association; and ServisFirst Bank. Collectively, these three banks account for 53.8 percent of the deposit market share. USB ranked 25th with a market share of 0.3 percent.

There is a high level of competition for small business loans. The bank is not required to collect or report CRA data, and it has elected not to report such data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business loans and provides context. In 2023, 127 lenders reported 20,864 small business loans in the assessment area. The top three banks, by number of loans, were American Express, National Bank; JPMorgan Chase Bank, N.A.; and Capital One, N.A. Collectively, these leading institutions accounted for 53.4 percent of the total market share. USB ranked 49th with a market share of 0.7 percent.

There is a moderate level of competition for home mortgage loans. The bank is not required to collect or report HMDA data, and it has elected not to report such data. Therefore, the analysis of home mortgage loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for home mortgage loans and provides context. In 2023, 502 lenders reported 23,596 originated or purchased home mortgage loans in the assessment area. The top three home mortgage originators, by number of loans, were Regions Bank; America’s First, and PennyMac Loan Services, LLC. Collectively, these leading institutions accounted for 12.9 percent of the total market share.

Community Contact(s)

As part of the CRA evaluation process, examiners contact community organizations or utilize existing recent community contacts to gain insight regarding the credit needs and economic conditions of an assessment area. For this evaluation, examiners used an existing community contact from the Birmingham MSA. Examiners contacted a community member representing an

economic development organization. The contact was familiar with the credit and community development needs and stated that primary needs are affordable housing, start-up capital for new businesses, and funding options for existing businesses.

Credit Needs

Based on demographic and economic data, as well as information gathered from a community contact, examiners determined that the primary credit needs of the assessment area include small business and home mortgage loans. The community contact stated that there is a need for start-up capital for new businesses and funding options for existing businesses, and demographic data shows that a significant majority of businesses have gross annual revenues of \$1.0 million or less. The need for small business lending is further magnified, as demographics reflect that 69.2 percent of businesses in the assessment area have under 4 employees. The community contact also said affordable housing is needed in the community. The high percentage of low- and moderate-income families at 37.4 percent and a median housing value of \$194,227 further supports the need for affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BIRMINGHAM MSA ASSESSMENT AREA

LENDING TEST

Overall USB demonstrated satisfactory performance under the Lending Test. The geographic distribution reflects poor dispersion of loans throughout the assessment area. The borrower profile reflects reasonable penetration of loans to businesses of different sizes and to individuals of different incomes throughout the assessment area.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. This conclusion is based on poor penetration of small business and home mortgage loans.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The table below shows that the bank did not make any small business loans in low- or moderate-income census tracts. As such, this reflects poor dispersion in both low- and moderate-income census tracts.

Geographic Distribution of Small Business Loans Birmingham MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.2	0	0.0	0	0.0
Moderate	15.7	0	0.0	0	0.0
Middle	31.8	21	87.5	3,618	70.9
Upper	45.1	3	12.5	1,485	29.1
NA	1.2	0	0.0	0	0.0
Total	100.0	24	100.0	5,103	100.0

Source: 2024 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 poor dispersion throughout the assessment area. The table below shows that the bank did not extend any home mortgage loans within the low-income census tracts. The table further shows the bank's performance in moderate-income census tracts falls 10.3 percentage points below the demographic, reflecting poor performance.

Geographic Distribution of Home Mortgage Loans Birmingham MSA Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	4.1	0	0.0	0	0.0
Moderate	16.9	1	6.3	15	0.7
Middle	37.6	10	62.5	1,529	70.2
Upper	40.6	5	31.3	633	29.1
NA	0.7	0	0.0	0	0.0
Total	100.0	16	100.0	2,177	100.0

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

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income). This conclusion is based on reasonable penetration of small business and home mortgage loans.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. The distribution of small business loans, based on gross annual revenues (GARs), is detailed in the following table. For comparison purposes, the table also shows the percentage of businesses within each GAR level, as well as those businesses that did not report GARs.

The following table shows that the bank’s level of lending to small businesses with GARs of \$1 million or less falls just 1.9 percentage points below the D&B data, reflective of reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Birmingham MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	89.4	21	87.5	3,618	70.9
> \$1,000,000	2.4	3	12.5	1,485	29.1
Revenue Not Available	8.3	0	0.0	0	0.0
Total	100.0	24	100.0	5,103	100.0

Source: 2024 D&B Data; Bank Data.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income). Reasonable performance to low- and moderate-income borrowers supports this conclusion. The following table reflects the distribution of home mortgage loans based on borrower income level. The table below shows that the bank’s lending in low-income census tracts falls 2.2 percentage points below the demographic data, reflective of reasonable performance. In addition, the bank’s lending in moderate-income census tracts falls 3.9 percentage points below the demographic data, also reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level Birmingham MSA Assessment Area					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	21.0	3	18.8	125	5.7
Moderate	16.4	2	12.5	169	7.8
Middle	18.5	1	6.3	250	11.5
Upper	44.1	2	12.5	850	39.0
NA	0.0	8	50.0	783	36.0
Total	100.0	16	100.0	2,177	100.0

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

ALABAMA NMSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALABAMA NMSA ASSESSMENT AREA

USB’s Alabama NMSA assessment area consists of Cherokee County in its entirety. USB continues to operate two of its eight branches within the assessment area. Both branches are in middle-income census tracts that are designated as underserved.

Economic and Demographic Data

The Alabama NMSA assessment area tracts reflect the following income designations: no low-, one moderate-, six middle-, and one upper-income census tract. Additionally, all six middle-income census tracts are designated as underserved. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Alabama NMSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	8	0.0	12.5	75.0	12.5	0.0
Population by Geography	24,971	0.0	14.8	72.8	12.4	0.0
Housing Units by Geography	16,631	0.0	13.7	71.8	14.5	0.0
Owner-Occupied Units by Geography	8,477	0.0	15.7	72.1	12.2	0.0
Occupied Rental Units by Geography	2,359	0.0	10.6	79.9	9.5	0.0
Vacant Units by Geography	5,795	0.0	12.1	68.0	19.9	0.0
Businesses by Geography	1,533	0.0	10.5	79.7	9.9	0.0
Farms by Geography	120	0.0	10.0	80.0	10.0	0.0
Family Distribution by Income Level	7,385	20.5	19.2	18.1	42.3	0.0
Household Distribution by Income Level	10,836	22.3	17.3	16.2	44.2	0.0
Alabama NMSA Median Family Income		\$55,763	Median Housing Value			\$137,587
Families Below Poverty Level		11.6%	Median Gross Rent			\$620
<i>Source: 2020 U.S. Census and 2024 D&B Data (*). The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.</i>						

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenues. The D&B 2024 distribution of businesses based on gross annual revenue is listed below.

- 86.6 percent had \$1.0 million or less,
- 2.4 percent had more than \$1.0 million, and
- 11.0 percent had unknown revenues.

As shown in the table below, the annual unemployment rates for Cherokee County, Alabama, the state, and the nation remained steady in 2024 and 2025. Cherokee County’s unemployment rates mirror the state’s rates and remain lower than the nation’s unemployment rates during the evaluation period.

Unemployment Rates		
Area	2024	June 2025
	%	%
Cherokee County, Alabama	3.1	3.0
State of Alabama	3.1	3.0
National Average	4.0	4.4
<i>Source: Bureau of Labor Statistics</i>		

Competition

There is a high level of competition for financial services in the assessment area. In addition to competing with large regional banks, USB competes with local banks, credit unions, and finance companies. As of June 30, 2025, 6 FDIC-insured institutions operated 8 offices within the assessment area. The top 3 banks by deposit market share are First Southern State Bank, Regions Bank, and Peoples Bank of Alabama. Collectively, these banks account for 76.0 percent of the deposit market share. USB ranked 4th in total deposits with a market share of 13.8 percent.

There is a high level of competition for small business loans. The bank is not required to collect or report CRA data, and it has elected not to report such data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business loans and provides context. In 2023, 38 lenders reported 375 small business loans in the assessment area. The top three banks, by number of loans, include Synchrony Bank; American Express, National Bank; and USB (10.1 percent). Collectively, these leading institutions accounted for 47.2 percent of the total market share.

Credit Needs

Based on demographic and economic data, examiners determined that the primary credit needs of the assessment area include small business loans and home mortgage loans. Examiners noted that a significant percentage of businesses have GARs of \$1.0 million or less. Additionally, the high percentage of low- and moderate-income families, at 39.7 percent, indicates a need for affordable housing. This need is further magnified given the percentage of families that live below the poverty level at 11.6 percent.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ALABAMA NMSA ASSESSMENT AREA

LENDING TEST

Overall USB demonstrated satisfactory performance under the Lending Test. The geographic distribution reflects reasonable dispersion of loans throughout the assessment area. The borrower profile reflects excellent penetration of loans to businesses of different sizes throughout the assessment area.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is based on reasonable penetration of small business loans.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The table below shows that, in moderate-income census tracts, the bank's

performance rises 2.8 percentage points above the percentage of businesses, reflective of reasonable performance.

Geographic Distribution of Small Business Loans Alabama NMSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	10.5	4	13.3	397	45.5
Middle	79.7	26	86.7	476	54.5
Upper	9.9	0	0.0	0	0.0
Total	100.0	30	100.0	873	100.0

Source: 2024 D&B Data; Bank Data.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among businesses of different sizes. This conclusion is based on excellent penetration of small business loans.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among businesses of different sizes. The distribution of small business loans, based on GARs, is detailed in the following table. For comparison purposes, the percentage of businesses within each GAR level, as well as those businesses that did not report GARs, is also shown.

As shown in the following table, the bank made all its small business loans to businesses with GARs of \$1.0 million or less, which reflects excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Alabama NMSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	86.6	30	100.0	873	100.0
> \$1,000,000	2.4	0	0.0	0	0.0
Revenue Not Available	11.0	0	0.0	0	0.0
Total	100.0	30	100.0	873	100.0

Source: 2024 D&B Data; Bank Data.

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 institution'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 institution 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.