



## PUBLIC DISCLOSURE

November 9, 2017

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National United  
Charter Number 4097

905 Main Street  
Gatesville, Texas 76528

Office of the Comptroller of the Currency  
Dallas Field Office  
225 E. John Carpenter Frwy., Suite 900  
Irving, Texas 75062

**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, and should not 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

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>3</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>7</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>8</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>9</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>10</b>
LENDING TEST .....	10
COMMUNITY DEVELOPMENT TEST .....	13
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>B-1</b>

## Overall CRA Rating

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors supporting this rating are as follows:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition and the credit needs of its assessment areas (AAs).
- The bank originated a substantial majority of its loans within its delineated AAs.
- The distribution of loans to borrowers of different incomes and business of different sizes reflects reasonable performance.
- The geographical distribution of residential loans and business loans reflects a reasonable dispersion of lending across the low-and moderate- income census tracts.
- The bank's overall community development (CD) performance is satisfactory and demonstrates an adequate responsiveness to the CD needs of its AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is; therefore, an affiliate.

**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 MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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.

**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, which 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).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a core based statistical area that contains an urbanized population of at least 2.5 million. A metropolitan division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The metropolitan statistical area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

National United (NU or bank) is a \$643 million institution, headquartered in Gatesville, Texas, with additional branches located throughout central Texas. The bank is wholly-owned by National United Bancshares, Inc., a single-bank holding company. The holding company is also based out of Gatesville, Texas. The bank has six total branches, with four branches located within the Killeen-Temple-Fort Hood metropolitan statistical area (MSA), and two branches located in McLennan County, Texas. The bank also has a loan production office in Georgetown, Texas. There have been no significant changes to NU's corporate structure, including merger or acquisition activities, since the last CRA evaluation in March 2015. However, two branches (Kempner and Killeen-Clear Creek) have closed since the last CRA examination.

All six branch locations offer standard banking services, including a drive-through service lane. All branches operate Monday through Friday with limited hours on Saturday. Automated teller machines (ATMs) are available at all branches. The bank has identified two AAs, the Killeen-Temple-Fort Hood MSA and McLennan County, Texas, part of the Waco MSA. All of the branches are located within the two identified AAs and the AAs do not arbitrarily exclude low-or moderate- income tracts.

As of September 30, 2017, tier 1 leverage capital totaled \$64 million or 10 percent of risk based capital. For the same period NU's loan portfolio was \$316 million, which accounts for 49 percent of total assets (52 percent of earning assets). The bank's primary loan types are commercial real estate and residential real estate. Combined, these two account types account for 72 percent of the bank's loan portfolio. The loan portfolio composition is as follows:

<b>Loan Portfolio Composition As of September 30, 2017</b>		
<b>Loan Category</b>	<b>Dollar Volume \$(000)</b>	<b>% of Outstanding Dollar</b>
Commercial (including Commercial Real Estate)	\$146,933	47%
1-4 Family Residential Real Estate	\$ 79,988	25%
Consumer	\$ 44,969	14%
Agriculture/Farm	\$ 41,247	13%
Other Loans	\$ 2,672	1%
<b>Total</b>	<b>\$315,809</b>	<b>100%</b>

*Source: September 30, 2017, Call Report*

The bank offers a variety of traditional deposit, lending, and service products to its customers. Consumer deposit accounts include checking, money market demand (MMDAs), savings, and certificates of deposits (CDs). NU also provides business customers an array of account options, including checking, MMDAs, savings, and CDs. In addition to deposit accounts, the bank's services include direct deposit, lock boxes,



and remote deposit capture, amongst others. Lending products include traditional 1-4 family residential real estate, multi-family residential real estate, agricultural/farming production, commercial real estate, commercial and industrial, and consumer loans.

Competition in the NU's AAs remains strong, as institutions seek to capitalize on growth in these areas. The June 30, 2017 FDIC Market Share Report shows NU ranks third in deposit share in the Killeen-Temple MSA with 10.5 percent of the market share in the area. In the Waco MSA, which includes McLennan County, the bank ranks 17<sup>th</sup> with 1.3 percent of the market share. Both MSAs contain multiple branches of other local community, state, and nationally branded financial institutions.

There are no legal, financial, or other factors materially hindering the bank's ability to help meet the credit needs in its AAs. The bank was rated "Satisfactory" as an intermediate small bank for the previous CRA examination, dated March 31, 2015.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This performance evaluation (PE) assesses the bank's CRA performance using the Intermediate Small Bank CRA examination procedures which include both the Lending and Community Development Test. The evaluation period includes loans, qualified investments and services originated from January 1, 2015 through November 1, 2017. The primary loan products reviewed were commercial and 1-4 family residential real estate loans. The review included all real estate loans submitted on the Home Mortgage Disclosure Act Loan Application Register (HMDA/LAR) during this time. We also reviewed the bank's previous CRA PE dated March 31, 2015.

### **Data Integrity**

Prior to starting this CRA evaluation, we tested the accuracy of NU's home mortgage loan information reported on the HMDA/LAR. Our testing found no substantive inaccuracies in the data collected and reported by NU. Therefore, we were able to rely on the home mortgage loan information for this CRA performance evaluation.

### **Selection of Areas for Full-Scope Review**

We conducted a full-scope review of the Killeen-Temple-Fort Hood MSA. This MSA represents the AA where NU has the greatest market share and the greatest number of branches including the bank's main office. We also performed a limited-scope examination of the McLennan County AA. Please refer to the tables in Appendix B for additional details regarding the Killeen-Temple-Fort Hood MSA.

### **Ratings**

The bank's overall rating is based primarily on the AA that received a full-scope review.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

The bank’s performance under the Lending Test is “Satisfactory”.

### Loan-to-Deposit Ratio

NU’s loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. The bank’s LTD ratio is reasonable given its size, condition, and credit needs of its AAs. The quarterly average LTD ratio for the previous 11 quarters ending September 30, 2017 was 60 percent.

The bank’s average LTD ratio is not inconsistent with other financial institutions of similar size, demographics and/or business models. For the purpose of this evaluation, we compared four similarly situated banks. The average LTD ratio for these institutions was 72 percent. The LTD ratios ranged from 40 percent to 87 percent. The following table details the comparator institutions in the bank’s AAs.

Institution	City	ST	Total Assets – (000s) As of 9/30/2017	AVG LTD RATIO
National United	Gatesville	TX	642,923	59.68
Central National Bank	Waco	TX	850,816	86.57
First National Bank of Central Texas	Waco	TX	828,406	85.94
First National Bank of Texas	Killeen	TX	1,672,096	40.09
Extraco Banks, National Association	Temple	TX	1,392,604	75.58

Source: Call Report

### Lending in Assessment Area

NU’s lending in its AA is more than reasonable and exceeds the standard of satisfactory performance. A substantial majority of NU’s loans were originated within the delineated AAs, both by number and dollar volume. NU originated 94 percent of the number of loans and 93 percent of the dollar volume of loans within its AAs. See the following table for additional details.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	169	93.89	11	6.11	180	26,055	95.36	1,267	4.64	27,322
Improvement	16	100	0	0.00	16	840	100	0	0.00	840
Refinance	31	91.18	3	8.82	34	2,497	72.95	926	27.05	3,423
Totals	216	93.91	14	6.09	230	29,392	93.06	2,193	6.94	31,585

Source: Bank HMDA Data

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

NU met the standard of reasonable performance in lending to borrowers of different incomes and businesses of different sizes throughout the Killeen-Temple-Fort Hood MSA and McLennan County AA.

#### Killeen-Temple-Fort Hood MSA

##### 1-4 Family Residential Real Estate Loans

Overall, NU's distribution of 1-4 family residential loans in the Killeen-Temple-Fort Hood MSA reflects reasonable penetration to low- and moderate-income borrowers. The data reflects that the percentage of 1-4 family residential loans to low-income borrowers is significantly lower than the ratio, while the data reflects the distribution of 1-4 family residential loans to moderate-income borrowers near the ratio. The less than satisfactory penetration in low-income areas is a result of low demand and limited lending opportunities within the MSA.

Borrower Distribution of Residential Real Estate Loans in Killeen-Temple-Fort Hood								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	19.48	2.73	19.00	13.64	21.78	22.73	39.74	47.27
Improvement	19.48	8.33	19.00	16.67	21.78	25.00	39.74	50.00
Refinance	19.48	13.64	19.00	9.09	21.78	27.27	39.74	40.91

Source: Indicate Source, i.e., Loan Sample or Data Reported under HMDA; U.S. Census Data.

##### Commercial Loans

NU's distribution of loans to businesses of different sizes reflects excellent penetration of loans to small businesses. Small businesses are defined as businesses with revenues of less than \$1 million. Loans to small businesses represented 100 percent of the loan sample by both loan number and dollar volume. NU's performance exceeds

the demographic comparator of 84 percent of businesses in the MSA with revenues below \$1 million. Please see the following table for details.

<b>Borrower Distribution of Loans to Businesses/Farms in Killeen-Temple-Fort Hood MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	83.60	3.58	12.82	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by\$	100.00	0.00	0.00	100%

Source: Loan Sample; Dun and Bradstreet Data

### **McLennan County AA**

Based on our limited-scope review, the bank’s lending performance for borrowers of different income levels in the McLennan County AA is not inconsistent with the bank’s overall performance. To perform our analysis, we reviewed the available HMDA data for residential real estate loans which reflects reasonable penetration to borrowers of different income levels.

### **Geographic Distribution of Loans**

The geographic distribution of loans to low- and moderate-income geographies reflects reasonable dispersion throughout the Killeen-Temple-Fort Hood MSA and McLennan County AA.

### **Killeen-Temple-Fort Hood MSA**

#### **1-4 Family Residential Real Estate Loans**

The sample showed the distribution of home purchase, home improvement, and refinance loans was below comparative demographic information for low-income families. However, the bank is near to or exceeds the comparators for all loan types to moderate-income families. The following table shows the distribution of residential real estate loan products among borrowers of different income levels in the Killeen-Temple-Fort Hood MSA:

<b>Geographic Distribution of Residential Real Estate Loans in Killeen-Temple-Fort Hood MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	1.21	0.91	9.13	16.36	64.05	75.45	25.61	7.27
Improvement	1.21	0.00	9.13	8.33	64.05	91.67	25.61	0.00
Refinance	1.21	0.00	9.13	13.64	64.05	72.73	25.61	13.64

Source: Loan Sample

### Commercial Loans

The geographic distribution of business loans reflects poor dispersion of loans to businesses in both low- and moderate-income census tracts in the Killeen-Temple-Fort Hood MSA. While the small percentage of businesses located in low-income tracts presents limited opportunities for lending, opportunities exist for lending to businesses in moderate income tracts. Significant competition in the market is a contributing factor to the poor performance. Please see the following table for details.

<b>Geographic Distribution of Loans to Businesses Killeen-Temple-Fort Hood MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	1.59	0.00	18.79	10.00	54.85	76.67	24.06	13.33

Source: Loan Sample

### McLennan County AA

Based on our limited-scope review, the geographic distribution of loans to borrowers in low- and moderate-income census tracts in the McLennan County AA is not inconsistent with the bank's overall performance. To perform our analysis, we reviewed the available HMDA data for residential real estate loans which reflects excellent dispersion throughout the AA.

### **Responses to Complaints**

There have been no consumer complaints relating to NU's CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

### **Number and Amount of Community Development Loans**

#### Killeen-Temple-Fort Hood MSA

The bank demonstrates excellent responsiveness to the needs of the AA through qualified community development (CD) loans. We identified 59 loans originated by NU that qualified as CD loans totaling approximately \$6.2 million. The loans meet the definition of community development as defined in the CRA regulation and do not include loans that were given consideration under the Lending Test.

The bank continues to take advantage of opportunities for community development lending through affordable housing construction loans and low- to moderate-income rental programs geared towards LMI families. The construction loans and rental programs are all located in moderate-income census tracts within the AA.

### **McLennan County AA**

The level of CD services in the McLennan County AA is not consistent with the results of the Killeen-Temple-Fort Hood AA. NU's CD services reflect adequate responsiveness to the needs and opportunities in this AA. NU also offers qualified CD loans to low- to moderate-income families utilizing the same rental property program used in the Killeen-Temple-Fort Hood MSA.

### **Number and Amount of Qualified Investments**

The bank demonstrates adequate responsiveness to the needs of the Killeen-Temple-Fort Hood MSA through qualified investments. The bank made over \$23 thousand in qualified investments during the evaluation period. Recipients of the donations include organizations that target needs of low- to moderate-income individuals such as the Lion's Club, the Greater Killeen Free Clinic, Cove House Free Clinic, and the Shriners, among others. NU employees also participated in food drives for local area food banks.

### **McLennan County AA**

Based on our limited scope review, the qualified investments made in the McLennan County AA are not inconsistent with the bank's overall performance.

### **Extent to Which the Bank Provides Community Development Services**

#### **Killeen-Temple-Fort Hood MSA**

NU's CD services reflect adequate responsiveness to the needs and opportunities in the AA. Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the MSA. Business hours and services are convenient and are accessible to all segments of the AA.

During the evaluation period, bank employees participated as board members in local organizations such as the Greater Killeen Free Clinic, the Salvation Army, and the YMCA. Bank employees also contribute time and service to the local community through volunteer work at organizations such as the Copperas Cove Soup Kitchen.

### **McLennan County AA**

The level of CD services in the McLennan County AA is not inconsistent with the results of the Killeen-Temple-Fort Hood AA. NU's CD services reflect adequate responsiveness to the needs and opportunities in this AA.

## **Responsiveness to Community Development Needs**

NU's overall performance under the Community Development Test is satisfactory. The volume and responsiveness of the bank's community development lending, qualified investments, and community development services reflects adequate responsiveness to the needs of the Killeen-Temple-Fort Hood MSA and adequate responsiveness in the McLennan County AA.



# Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (1/01/15 to 11/01/17) Investment and Service Tests and CD Loans: (01/01/15 to 11/01/17)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
National United (NU) Gatesville, Texas	1-4 family residential loans, commercial loans, CD loans, CD services, investments	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Killeen-Temple-Fort Hood MSA McLennan County, Texas	Full-Scope Limited-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Killeen-Temple-Fort Hood MSA

Demographic Information for Full-Scope Area: (Name of Multistate Metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	88	3.41	22.73	52.27	17.05	4.55
Population by Geography	402,726	2.13	17.48	59.78	19.95	0
Owner-Occupied Housing by Geography	76,055	1.21	9.13	64.05	25.61	0
Businesses by Geography	18,339	1.59	18.79	54.85	24.06	.72
Farms by Geography	841	.95	10.34	63.73	24.85	.12
Family Distribution by Income Level	93,529	19.48	19.00	21.78	39.74	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	35992	3.05	26.69	59.50	10.76	0
Median Family Income = \$56,019						
HUD Adjusted Median Family Income for 2017 = \$59,300						
Households Below the Poverty Level = 12.32%						
			Median Housing Value = \$105,453			
			Unemployment Rate = 4.13%			

Source: 2010 U.S. Census, June 2016 Dun and Bradstreet Data, and 2017 HUD Updated MFI.

The Killeen-Temple-Fort Hood MSA is comprised of three complete counties, Bell, Coryell, and Lampasas Counties, located in Central Texas. The MSA is composed of 88 census tracts, including three low-income and 20 moderate-income census tracts. There are four tracts within the MSA listed as “N/A” with a population of zero (“0”) persons.

The current local economy is stable. The June 2017 unemployment rate for the Killeen-Temple-Fort Hood is 4.13 percent, which is slightly below the State of Texas unemployment rate of 4.6 percent and the national unemployment rate of 4.4 percent for the same time period. The local unemployment rate is stable compared to the 2010 Census data, when the unemployment rate was the same. According to 2010 Census data, 12.3 percent of the households in Killeen-Temple-Fort Hood MSA had income below the poverty level. This is in line with the national average.

Dun and Bradstreet data for 2016 reports over 19,000 businesses and farms in the Killeen-Temple-Fort Hood MSA, over 95 percent of which are non-farm businesses. Services, retail trade, and construction are the primary economic activities for the Killeen-Temple-Fort Hood MSA. Using 2010 Census data, 50 percent of the housing units in the Killeen-Temple-Fort Hood MSA are owner-occupied, with an additional 34 percent of the units renter-occupied, and nearly 16 percent vacant.

Competition from other financial institutions is significant. The June 30, 2017 FDIC deposit market share report shows the bank holds 10.5 percent of the market share in the Killeen-Temple-Fort Hood MSA. Competition includes other local community, regional, and national branded banks.

The Fort Hood Army Post is the largest employer, including civilian personnel in support of the military operations. Local government, education, and health care providers round out the top employers in the MSA.

A community contact interview was conducted with the local Chamber of Commerce. Overall, the economic environment is positive in the MSA. The Fort Hood Military Base provides good jobs and steady income to the area. The cost of living is low and housing is generally affordable. However, it was mentioned that areas of opportunities exist regarding financial literacy in the community. The contact stated the local financial institutions are responsive to the credit needs and activities of the community.