



PUBLIC DISCLOSURE

August 21, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Unity National Bank of Houston
Charter Number 21008

2602 Blodgett Street
Houston, TX 77004

Office of the Comptroller of the Currency

1301 McKinney Street
Suite 1410
Houston, TX 77010-3031

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.

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APPENDIX A: COMMUNITY PROFILES FOR FULL-SCOPE AREAS ERROR!
BOOKMARK NOT DEFINED.

Overall CRA Rating

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

Unity National Bank (Unity) has a Satisfactory record of meeting community credit needs. This is based on the following:

- The bank's average quarterly loan-to-deposit ratio (LTD) is more than reasonable at 70.43 percent compared to the average for other institutions at 62.05 percent.
- The majority of loans were originated inside the Assessment Area (AA), with 63 percent by number and 46 percent by dollar volume.
- The Distribution of business and consumer loans both show reasonable penetration.
- The geographic distribution for business and consumer loans show reasonable dispersion.
- There were no Community Reinvestment Act (CRA) related complaints during the evaluation period.

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 refinancing, 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 One 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 the Institution

Unity is an independent full-service community bank headquartered in Houston, Texas. Chartered in 1985, Unity is the only African-American owned banking institution in Texas. The bank is recognized and certified by the City of Houston and the Houston Minority Business Council as a Minority Business Enterprise. Unity partners with corporations, non-profits and governmental organizations who seek to further their diversity initiatives. Additionally, Unity is recognized as a state certified Historically Underutilized Business.

Unity serves the community from two locations. The main office location is in the heart of Third Ward, a historic community in Houston, Texas. The second branch, which opened in 1998, is located in Missouri City, Texas. The bank offers a variety of commercial and retail banking services. Other personal services include checking and savings accounts, safety deposit boxes, Notary, and mobile banking. The primary focus of the bank's lending program is to help with rebuilding the community, with focus on commercial loans. Both locations offer drive-up services and proprietary automated teller machines (ATMs).

As of December 31, 2016, total assets equaled \$102 million, with net loans comprising 72 percent. Unity received a Satisfactory rating at the last CRA examination dated February 6, 2012. No legal constraints impede efforts to help meet the credit needs of the AA.

Please refer to the bank's Public File for additional information.

Scope of the Evaluation

Evaluation Period and Products Evaluated

Our examination evaluated the bank's lending performance from January 1, 2015 to December 31, 2016. The bank has two primary loan products, business and consumer. Business loans make up the majority share of the bank's loan portfolio by both number and dollar amount. As of December 31, 2016, business loans make up 63 percent of the portfolio by dollar amount and 43 percent by number of loans. Consumer loans follow with 29 percent of the portfolio by number of loans. Other loan types include one- to four-family residential (21 percent), multifamily residences (2 percent), and other loans (3 percent).

To evaluate the bank's lending performance, we reviewed a random sample of 30 business loans and 27 consumer loans. There is a balanced representation of loans that were either originated or purchased in both 2015 and 2016 included in the sample.

Selection of Areas for Full-Scope Review

We completed a full-scope review of the bank's CRA performance using the Small Bank examination procedures, which includes the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

Unity has one AA (Houston AA) which is comprised of 597 CTs in two contiguous counties in the Houston–The Woodlands–Sugar Land Metropolitan Statistical Area. We conducted a full-scope review of this AA. Of the 597 CTs, 569 are located in Harris County and 28 in Fort Bend County. Of the total CTs, 118 (20 percent) are designated as low-income, 224 (38 percent) moderate-income, 125 (21 percent) middle-income, and 127 (21 percent) upper-income. Three of the CTs did not have an income designation. Of the bank's two branches, one is located in a moderate-income CT (Harris County) and the other is located in a middle-income CT (Fort Bend).

Refer to Appendix A for additional information.

Community Contact

A representative from the District Community Affairs Department for the OCC contacted an organization in the Houston AA. The contact was made with an organization in Harris County, the largest county in the Houston AA. The organization was founded in 2007 and operates as a nonprofit organization, providing a comprehensive 8-day job readiness workshop and career advancement training to men and women in the community. The organization is funded entirely from private donations. The representative stated that there is a heightened need for low cost loans and deposit products that provide low- and moderate-income individuals with alternative funding options, other than payday loans. Consumer lending to low- and moderate-income individuals totals approximately 42 percent of the total consumer loans made within Unity's AA.

Harris County

The bank designated 569 CTs in Harris County as part of the AA. Of these, 118 are low-income (21 percent), 221 are moderate-income (39 percent), 110 are middle-income (19 percent), 117 are upper-income (20 percent) and three (1 percent) did not have an income designation. As of the 2016 U.S. Census data, the estimated population for the county was 4.6 million. The county seat, Houston, is the largest city in Texas and the fourth largest in the nation.

The economic climate in Harris County is good. Harris County headquarters several fortune 500 companies including Phillips 66, Conoco Phillips, Sysco, Halliburton, and CenterPoint Energy. According to 2015 U.S. Census data, 16.6 percent of the population lived below the poverty level and the median household income was \$56,670. Per 2017 Bureau of Labor Statistics, unemployment is 4.9 percent.

Banking competition is intense. The June 30, 2017 Federal Deposit Insurance Corporation (FDIC) Market Share Report indicated that the five largest competitors in the county include JP Morgan Chase, NA, Wells Fargo Bank, NA, Bank of America, NA, BBVA Compass Bank and Amegy Bank. Unity has one branch in Harris County with a deposit market share of 0.02 percent.

Fort Bend County

The bank designated 28 CTs in Fort Bend County as part of the AA. Of these, none are low-income, three are moderate-income (11 percent), 15 are middle-income (54 percent), and 10 are upper-income (35 percent). As of the 2016 U.S. Census data, the estimated population for the county was 741,237. While the county seat is Richmond, Sugar Land is the largest city with a population of 88,177.

The economic climate in Fort Bend County is good. Major employers include Fort Bend Independent School District (ISD), Lamar Consolidated ISD, Fluor Corporation, and Schlumberger Technology Corporation. According to 2015 U.S. Census data, 7 percent of the population lived below the poverty level and the median household income was \$95,117. Per 2017 Bureau of Labor Statistics, unemployment is 4.6 percent.

Banking competition is intense. The June 30, 2017 FDIC Market Share Report indicated that the five largest competitors in the county include Wells Fargo Bank, NA, JP Morgan Chase Bank, NA, Bank of America, NA, Prosperity Bank, and BBVA Compass Bank. Unity has one branch in Fort Bend County with a deposit market share of 0.37 percent.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. The majority of the lending test components presented reasonable results, which was weighed strongly in the overall conclusion. Also considered, is the intense banking competition in the bank's AA, as Unity only holds a deposit market share of less than one percent.

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 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

Unity Bank's performance under the Lending Test is Satisfactory. Loan penetration to low- or moderate-income borrowers is reasonable and geographic dispersion in low- or moderate-income CTs is reasonable. Overall ratings are determined considering the results from all areas of the Lending Test.

Loan-to-Deposit Ratio

Unity's LTD ratio is more than reasonable, averaging 70.43 percent over the 23 quarters since the prior CRA evaluation. Four peer group banks headquartered within the two counties in Unity's AA, with total assets ranging from \$105 million to \$369 million, had an average quarterly LTD ratio of 62.05 percent for the same time period. The average quarterly LTD ratio for the peer group banks ranged from 43.59 percent to 92.85 percent.

Lending in Assessment Area

Unity Bank originated a majority of primary loans inside its AA during the evaluation period. Our review indicated that approximately 63 percent by number and 46 percent by dollar amount of loans originated/purchased were to borrowers located within the bank's AA. The lower dollar volume is primarily the result of the purchase of participations in loans originated by larger financial institutions to businesses outside of the bank's AA. These loans are fewer in number but tend to be larger in dollar amount. The following table details the bank's lending performance within the AA.

Table 1 - Lending in Houston AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	14	70.00%	6	30.00%	20	\$157	51.99%	\$145	48.01%	\$302
Commercial	11	55.00%	9	45.00%	20	\$4,717	46.11%	\$5,511	53.88%	\$10,228
Totals	25	62.50%	15	37.50%	40	\$4,874	46.29%	\$5,656	53.71%	\$10,530

Source: Loan sample.

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

Overall, distribution of loans reflects reasonable penetration among households of different income levels and to businesses of different sizes when considering the bank's level of competition and product offerings.

Business Loans

Unity's distribution of business loans reflects reasonable penetration. In the bank's AA, 83 percent of businesses are small, generating annual revenues of less than \$1 million. A sample of commercial loans indicated that 65 percent of the bank's loans by number and 53 percent by dollar amount were made to small businesses. The bank's performance is reflected in the following tables.

Table 2A - Borrower Distribution of Loans to Businesses in Houston AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	82.92%	7.53%	9.55%	100%
% of Bank Loans in AA by #	65.00%	35.00%	0.00%	100%
% of Bank Loans in AA by \$	52.87%	47.13%	0.00%	100%

Source: Loan sample; Dun and Bradstreet data.

Consumer Loans

Distribution of consumer loans to borrowers with different incomes reflects reasonable penetration. Lending to low-income individuals at 30 percent is near to but slightly lower than the demographic comparator of 31 percent. Lending to moderate-income individuals at 20 percent is higher than the demographic comparator of 19 percent. Overall, lending to low- and moderate-income individuals reflects reasonable penetration. The bank's performance is reflected in the following table.

Table 2B - Borrower Distribution of Consumer Loans in Houston AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	30.62%	30.00%	18.90%	20.00%	17.12%	15.00%	33.36%	35.00%

Source: Loan sample; 2010 U.S. Census data.

Geographic Distribution of Loans

Overall, the geographic distribution of loans reflects reasonable dispersion among households of different income levels and businesses of different sizes.

Business Loans

The geographic distribution of business loans reflects excellent dispersion through CTs of different income levels in the Houston AA. Dispersion of loans in low-income CTs was 25 percent, which exceeds the AA census characteristic of 14 percent. Dispersion of loans in moderate-income CTs was 30 percent, and also exceeds the census characteristics of 26 percent. The following tables shows the distribution of business-related loans among the CTs of different income levels, as compared to the percent of business located in each CT income category.

Table 3A - Geographic Distribution of Loans to Businesses in Houston AA								
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	14.21%	25.00%	26.26%	30.00%	21.60%	25.00%	37.85%	20.00%

Source: Loan sample; Dun and Bradstreet data.

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion to low-income CTs but poor dispersion for moderate-income CTs. Dispersion of loans in low-income CTs is reasonable with 20 percent, which exceeds the AA census characteristic of 17 percent. Dispersion of loans in moderate-income CTs was also 20 percent, which is well below the census characteristics of 37 percent and considered poor dispersion. The following tables shows the distribution of consumer loans among the CTs of different income levels.

Table 3B - Geographic Distribution of Consumer Loans in Houston AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	17.49%	20.00%	36.55%	20.00%	22.12%	55.00%	23.84%	5.00%

Source: Loan sample; 2010 U.S. Census data.

Responses to Complaints

There were no complaints during the evaluation period.

Appendix A: Community Profiles for Full-Scope Areas

Houston AA

Demographic Information for Full Scope Area: Houston AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	597	19.77	37.52	20.94	21.27	0.50
Population by Geography	2,863,359	17.85	39.58	22.51	19.55	0.51
Owner-Occupied Housing by Geography	501,996	8.97	36.19	25.96	28.88	0.00
Business by Geography	232,768	14.21	26.26	21.60	37.85	0.09
Farms by Geography	2,797	11.26	28.14	22.77	37.79	0.04
Family Distribution by Income Level	643,396	32.23	19.26	17.19	31.31	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	331,298	26.49	48.02	17.85	7.65	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		63,898 68,000 17%	Median Housing Value Unemployment Rate (2010 US Census)		158,389 3.98%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2016 FFIEC updated MFI