



## **PUBLIC DISCLOSURE**

November 28, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Farmers and Merchants National Bank of Nashville  
Charter Number 8221

120 W. St. Louis St.  
Nashville, IL 62263

Office of the Comptroller of the Currency

St. Louis Field Office  
500 N. Broadway St. Suite 1700  
St. Louis, MO 63102

**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.

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## Overall CRA Rating

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

Farmers and Merchants National Bank of Nashville's (F&M) lending performance reflects a satisfactory response to the community credit needs. The conclusion is based on the following results from our review:

- The loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and the credit needs of the assessment areas (AAs).
- The bank originated a majority of loans inside its AA.
- Lending activities represent a reasonable penetration among businesses of different sizes and borrowers of different income levels.

## 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 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 Institution**

F&M is an intrastate institution headquartered in Nashville, Illinois with total assets of \$174.3 million as June 30, 2017. F&M is wholly owned by a one-bank holding company, Farmers and Merchants Bancshares, Inc., also located in Nashville, IL. The institution has not opened or closed any branches since the last examination, and there have not been any major changes in F&M's corporate structure, including merger or acquisition activities.

The institution offers a full range of loan and deposit services. As of June 30, 2017, the institution reported \$109 million in outstanding loans and had a net loans and leases to total assets ratio of 62 percent. Tier 1 Capital was \$21.5 million. The loan portfolio consists of 36 percent residential loans, 34 percent agricultural loans, 28 percent business loans, and 2 percent commercial loans. F&M's primary business strategy is to concentrate on lending products representative of the community in which it operates. Presently, the need has been agricultural and residential loans, with some modest growth in commercial lending.

F&M operates in two AAs, one encompassing all of Washington County and one including the northeast section of St. Clair County, both located in Illinois. Each AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The two AAs incorporate the main office in Nashville as well as the bank's five full-service branches, and five deposit-taking ATMs. Market share between the two AAs differs considerably. In Washington County, F&M is the leader with 34 percent of the market share when comparing the bank's five branches to the seven other institutions with eight offices in the County. In contrast, in St. Clair County, F&M has only 0.23 percent of the market share. F&M is only one institution out of 30 in the County, and has only two branches out of 85 total. Major competitors within all of the communities F&M operates in includes a mix of community banks and branches of larger banks. Specific competitors include: The Old Exchange National Bank of Okawville, The First National Bank of Okawville, Nashville Savings Bank, Community Trust Bank, Regions Bank, Oakdale State Bank, Farmers State Bank of Hoffman, Citizens Community Bank, and First FSB of Mascoutah. In addition to competition from other banking institutions, F&M also competes with farm credit unions.

There are no legal or financial impediments to F&M's ability to meet the credit needs of its AAs. The bank was rated Satisfactory at the last CRA evaluation dated February 9, 2011.

## **Scope of the Evaluation**

### **Evaluation Period and Products Evaluated**

This Performance Evaluation is an assessment of the record of F&M in meeting the credit needs of the communities in which it operates. F&M was evaluated under the Small Bank performance criteria, which includes a lending test. The lending test



evaluates the institution's record of helping to meet the credit needs of its AAs through its lending activities. The scope of the CRA evaluation period is February 9, 2011 through November 28, 2017. The lending test analysis includes loans originated and purchased from January 1, 2014 through December 31, 2016.

We reviewed all of the institution's loan originations and purchases in 2014, 2015, and 2016 to determine the primary products for each of the AAs. For the Washington County AA, the primary products were agricultural lending and residential lending. For the Northeast St. Clair County AA, the primary product was residential lending.

### **Data Integrity**

The lending test analysis included all residential loans reported under the Home Mortgage Disclosure Act (HMDA) for years 2014, 2015, and 2016. Loans originated and purchased in these years were compared to 2010 Census information. To ascertain the data integrity of the reported HMDA loans, we reviewed a sample of 60 applications each for 2014, 2015, and 2016. We concluded that the publicly filed data was accurate and reliable. To verify the accuracy of the agricultural loans, we sampled 20 agricultural loans and determined whether the origination was to a farm within the bank's AA by verifying the address. If the farm was located within the bank's AA, we then determined whether or not the farm was considered a small farm as defined in the instructions for preparation of the Call Report.

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

We performed a full-scope review on both the Washington County and Northeast St. Clair County AAs. However, the Washington County AA was weighted more heavily when determining the bank's overall CRA rating as a significant majority of the bank's lending took place in this AA. Please refer to Appendix A for more information.

### **Ratings**

The bank's overall rating is based on observed performance as well as context information from the Washington County AA and Northeast St. Clair County AA.

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

Pursuant to 12 C.F.R. §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

F&M demonstrates a reasonable performance of meeting the credit needs of its AAs given the demographics, economic factors, and competitive pressures faced by the bank.

### LENDING TEST

#### Loan-to-Deposit Ratio

F&M's LTD ratio is reasonable given the size, financial condition, and the credit needs of its AAs. The bank's quarterly LTD ratio averaged 62.5 percent over the 26 quarters since the last CRA evaluation, with a low of 53.9 percent and a high of 75.6 percent.

The bank's ratio is comparable to other community banks of similar size, location, and product offerings. F&M ranks fourth out of seven similarly situated institutions serving its AAs. The other six institutions had an average LTD ratio of 58.6 percent ranging from 42.6 percent to 74.1 percent over the 26 quarters since the last CRA evaluation.

#### Lending in Assessment Area

A majority of the bank's primary products were originated to borrowers within the bank's AAs (56 percent by number and dollar). The following table details the bank's lending inside and outside the AAs by number and dollar amount of loans originated during the evaluation period.

Lending in Washington County and Northeast St. Clair County AAs										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans	177	56%	138	44%	315	\$18,466	56%	\$14,755	44%	\$33,221
Agricultural Loans	10	50%	10	50%	20	\$1,494	55%	\$1,239	45%	\$2,733
Total	187	56%	148	44%	335	\$19,960	56%	\$15,994	44%	\$35,954

*Source: F&M's 2014-2016 HMDA data; sample of 20 agricultural loans originated during the evaluation period.*

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

The distribution of loans reflects reasonable penetration among borrowers of different income levels and farms of different sizes. Although we identified poor penetration within the Northeast St. Clair County AA, more weight was placed on the Washington County AA as a substantial majority of the bank's lending was conducted in this AA. Additionally, demographic factors unique to the Northeast St. Clair AA mitigate the assessment.

## **Washington County Assessment Area**

### **Agricultural Loans**

The distribution of agricultural loans reflects excellent penetration among farms of different sizes. One hundred percent of the bank's agricultural loans originated and purchased during the loan-sampling period were made to small farms as compared to the demographic data that reveals 97.5 percent of the farms in the bank's AA have gross revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Farms in Washington County AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.5%	2.5%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: 20 agricultural loans originated in 2014-2016; 2016 Geo-Demographic Business data*

### **Residential Loans**

The distribution of residential loans reflects reasonable penetration among borrowers of different income levels, with reasonable responsiveness to low-income borrowers and poor responsiveness to moderate-income borrowers.

We analyzed the residential loan data reported under HMDA for the evaluation period for this AA and determined the bank extended 10.8 percent of loans to both low-income and moderate-income borrowers. This penetration is considered reasonable when compared to the percent of low-income families of 13.9 percent as the percentage of number of loans is near the percent of low-income families. However, the assessment regarding moderate-income borrowers reflects poor penetration because the 10.8 percent of loans is significantly lower than the percent of moderate-income families at 15.6 percent. Although penetration is considered poor, the assessment is mitigated by the percentage of people living below the poverty level of 8.6 percent. The elevated poverty level limits the opportunities to lend to low- and moderate-income individuals.

<b>Borrower Distribution of Residential Real Estate Loans in Washington County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	13.97	10.81	15.61	10.81	21.65	20.95	48.77	57.43

*Source: F&M's 2014-2016 HMDA data; 2010 U.S. Census Data –Activity Year 2016*

## **Northeast St. Clair County Assessment Area**

### **Residential Loans**

The distribution of residential loans reflects poor penetration among borrowers of different income levels, with poor responsiveness to both low- and moderate-income

borrowers. Although we identified poor penetration within the Northeast St. Clair County AA, as stated previously, more weight was placed on the Washington County AA as a substantial majority of the bank’s lending was conducted in the Washington County AA. Additionally, demographic factors unique to the Northeast St. Clair AA mitigate the assessment.

Based on the HMDA data for 2014-2016, the bank’s 3.9 percent of loans extended to low-income borrowers is well below the 15.8 percent of low-income families within the AA. Additionally, the 15.4 percent of loans extended to moderate-income borrowers is below the 20 percent of moderate-income families in the AA. While penetration is considered poor, the assessment is somewhat mitigated by the percentage of people living below the poverty level of 6.7 percent. The poverty level limits the opportunities to lend to low- and moderate-income individuals. This assessment is further mitigated by demographic factors affecting this AA. First, Lebanon, the community in which one of the two branches in this AA is located, is home to McKendree University. This university enrolls approximately 3,000 students annually, none of which would be in the market for residential loans. Additionally, CT 5038 exclusively consists of Scott Air Force Base (SAFB). All people living on the base receive housing and, therefore, are not in the market for residential loans. Furthermore, any military personnel relocating from the base, and in the market for a residential loan, have access to financing at better rates than most national banks would be able to offer further restricting the bank’s ability to lend to these borrowers within the AA.

In addition to demographic factors affecting the bank’s ability to lend in this AA, there is also significant competition. As previously stated, the bank’s deposit market share in this AA is significantly lower than the Washington County AA at only 0.34 percent. F&M is only one institution out of 30 in the County, and has only two branches out of 85 total.

<b>Borrower Distribution of Residential Real Estate Loans in Northeast St. Clair County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	15.82	3.85	20.04	15.38	18.84	42.31	45.30	38.46

*Source: F&M's 2014-2016 HMDA data; 2010 U.S. Census Data –Activity Year 2016*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans within the AAs would not be meaningful. There are no low- or moderate-income CTs in either AA.

### **Responses to Complaints**

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

## Appendix A: Scope of Examination

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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): 01/01/2014 to 12/31/2016 Investment and Services Tests and CD Loans: N/A.	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Farmers and Merchants National Bank of Nashville (F&M) Nashville, IL	Residential loans and farm loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None.	N/A.	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>
Washington County (CTs 9501, 9502, 9503, and 9504)	Full Scope	Residential and agricultural loans
Northeast St. Clair County (CTs 5038, 5039.03, 5039.04, 5043.02, and 5043.03) – Part of the St. Louis MO-IL MSA #41180	Full Scope	Residential loans

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

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### Washington County Assessment Area

Management designated all of Washington County as its non-metropolitan statistical area (MSA) AA. The AA is comprised of four CTs, two middle-income CTs (9501 and 9503), and two upper-income CTs (9502 and 9504). This is the more prominent AA for the bank as five of the bank's seven branches (Nashville, Nashville drive-up, Hoyleton, Ashley, and Dubois) are located here. Additionally, the bank has four deposit-taking ATMs located at the Nashville, Nashville drive-up, Hoyleton, and Ashley branches. This AA was more heavily weighted when determining the bank's overall CRA rating as 84 percent of their lending in number and 72 percent of lending in dollar was conducted within this AA. Management's primary business focus in this AA is agricultural lending due to the significant farming community within the County.

Based on the 2010 Census data, the 2016 FFIEC Updated MSA Median Family Income is \$58,000 for the 4,273 families in the AA. The Census data concludes 17 percent of the population was over the age of 65, almost 19.9 percent of households were in retirement, and 8.6 percent lived below the poverty level. The median housing value for the AA was \$104,028 and the median age of the housing stock was 51 years. Local housing for the AA was 88.3 percent 1-4 family units, with 92.5 percent occupied.

As of June 30, 2016, Washington County's unemployment rate was 3.5 percent, as compared to the State of Illinois' unemployment rate of 5.9 percent and the national unemployment rate of 4.9 percent. Major employers in the County include Nascote Ind., Inc., Nashville Interior Systems, NOTS Trucking & Logistics, and Agri Pride.

Farming makes up 23.5 percent of total businesses. Of those farms, 97.5 percent are considered small farms, i.e. farms with annual gross revenue with one million dollars are less.

Per the FDIC deposit data as of June 30, 2017, there are eight financial institutions with 13 offices within Washington County. Major competitors include a mix of community banks and branches of regional banks including: The Old Exchange National Bank of Okawville, The First National Bank of Okawville, Nashville Savings Bank, Community Trust Bank, Regions Bank, Oakdale State Bank, and Farmers State Bank of Hoffman. Additionally, given the large farm community, farm credit unions are also major competitors. The same data shows F&M's total deposits were \$137.4 million, which amounts to 34 percent of the market share, the leader for Washington County.

To further our understanding of the community's credit needs, we interviewed a community development organization representative knowledgeable of the areas served by the bank. Our contact did not identify any unmet credit needs.

Demographic Information for Full Scope Area: Nashville Washington						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	50.00	50.00	0.00
Population by Geography	14,716	0.00	0.00	45.46	54.54	0.00
Owner-Occupied Housing by Geography	5,038	0.00	0.00	43.37	56.63	0.00
Business by Geography	0	0.00	0.00	0.00	0.00	0.00
Farms by Geography	0	0.00	0.00	0.00	0.00	0.00
Family Distribution by Income Level	4,273	13.97	15.61	21.65	48.77	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,264	0.00	0.00	46.20	53.80	0.00
Median Family Income		54,499	Median Housing Value		104,028	
FFIEC Adjusted Median Family Income for 2016		58,000	Unemployment Rate (2010 US Census)		3.5%	
Households Below Poverty Level		9%				

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

### Northeast St. Clair County Assessment Area

Management also identified the northeast corner of St. Clair County, Illinois as its MSA AA. The AA is at the eastern edge of the St. Louis MO-IL MSA (#41180). The AA does not include the entire MSA; however, is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geographies. This AA consists of five CTs, four middle-income CTs (5038, 5039.04, 5043.02, and 5043.03), and one upper-income CT (5039.03) encompassing the Mascoutah and Lebanon branches, and Lebanon deposit-taking ATM. This AA is significantly smaller than the Washington County AA as only 16 percent in number and 28 percent in dollar of lending is conducted in this AA. The primary business focus for this AA is residential lending.

Based on 2010 Census data, the 2016 FFIEC Updated MSA Median Income of the AA is \$70,000 for the 7,516 families in the AA. The Census data concludes 9.3 percent of the population is over the age of 65, 24.4 percent of households were in retirement, and 6.7 percent of families lived below the poverty level. The median housing value for the AA is \$160,483 and the median age of the housing stock was only 33 years. Local housing for the AA was 88.8 percent 1-4 family units, with 89.1 percent occupied.

As of June 30, 2016, St. Clair County's unemployment rate was 5.3 percent, as compared to the State of Illinois' unemployment rate of 5.9 percent and the national unemployment rate of 4.9 percent. Major employers in the County are SAFB, Memorial Hospital, St. Elizabeth Hospital, and Southwestern Illinois College.

Per FDIC deposit data as of June 30, 2017, there are 30 financial institutions with 85 offices within St. Clair County. Major competitors include a mix of community banks



and branches of regional banks: Citizens Community Bank, First FSB of Mascoutah, Scott Credit Union, and Regions Bank, The same data shows F&M's total deposits were \$9.26 million, which amounts to only 0.23 percent of the market share.

To further our understanding of the community's credit needs, we interviewed a community development organization representative knowledgeable about the areas served by the bank. Our contact did not identify any unmet credit needs.

Demographic Information for Full Scope Area: Nashville St Clair						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	0.00	80.00	20.00	0.00
Population by Geography	30,699	0.00	0.00	88.97	11.03	0.00
Owner-Occupied Housing by Geography	6,464	0.00	0.00	85.64	14.36	0.00
Business by Geography	0	0.00	0.00	0.00	0.00	0.00
Farms by Geography	0	0.00	0.00	0.00	0.00	0.00
Family Distribution by Income Level	7,516	15.82	20.04	18.84	45.30	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,695	0.00	0.00	95.06	4.94	0.00
Median Family Income		66,798	Median Housing Value		160,483	
FFIEC Adjusted Median Family Income for 2016		70,000	Unemployment Rate (2010 US Census)		5.3%	
Households Below Poverty Level		7%				

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