



## **PUBLIC DISCLOSURE**

December 13, 2021

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

The Farmers and Merchants National Bank of Nashville  
Charter Number 8221

120 W. St. Louis Street  
Nashville, IL 62263

Office of the Comptroller of the Currency

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.

## Table of Contents

<b>Overall CRA Rating.....</b>	<b>1</b>
<b>Description of Institution.....</b>	<b>2</b>
<b>Scope of the Evaluation.....</b>	<b>3</b>
<b>Discriminatory or Other Illegal Credit Practices Review.....</b>	<b>5</b>
<b>State Rating.....</b>	<b>6</b>
State of Illinois.....	6
<b>Lending Test .....</b>	<b>11</b>
<b>Appendix A: Scope of Examination.....</b>	<b>A-1</b>
<b>Appendix B: Summary of MMSA and State Ratings.....</b>	<b>B-1</b>
<b>Appendix C: Definitions and Common Abbreviations.....</b>	<b>C-1</b>
<b>Appendix D: Tables of Performance Data.....</b>	<b>D-1</b>

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

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

The Lending Test rating is based on the Farmers and Merchants National Bank of Nashville's (F&M or bank) performance in the state of Illinois. The major factors that support this rating include:

- F&Ms average loan-to-deposit ratio (LTD) is reasonable give the size, financial condition, level of local competition, and credit needs of the assessment areas (AA).
- The distribution of loans to borrowers of different income levels is reasonable.
- The distribution of small loans to farms is excellent.
- F&M did not receive any CRA-related complaints during the evaluation period.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the LTD ratio is reasonable. F&Ms average LTD ratio for the 17 quarters since the last CRA evaluation is 72.9 percent. Over this period, the bank's LTD ratio ranged from a low of 65.5 percent to a high of 78.7 percent.

We analyzed the LTD ratio of six similarly situated institutions based on a combination of size, location, and lending opportunities. The institutions ranged in size from \$75.1 million to \$458.8 million, with a combined average LTD ratio of 61.8 percent over the same evaluation period. The lowest individual average was 40.6 percent, while the highest individual average was 82.6 percent. F&M ranked third among the group when comparing the average LTD ratios. The table below lists the similarly situated institutions with corresponding average LTD ratios and total assets.

Institution	Average Quarterly LTD Ratio	Total Assets (\$000) as of 9/30/2021
Nashville Savings Bank	82.6	\$80,115
First Federal Savings Bank of Mascoutah, Illinois	73.0	\$147,329
The Farmers and Merchants National Bank of Nashville	72.9	\$238,493
Citizens Community Bank	69.4	\$458,759
Community Trust Bank	55.0	\$97,071
The Old Exchange National Bank of Okawville	50.3	\$85,862
The First National Bank of Okawville	40.6	\$75,121

*Source: Quarterly Call Reports from September 30, 2017 to September 30, 2021*

### Lending in Assessment Area

A majority of the bank's loans are outside its AAs. The bank originated or purchased 47.2 percent of its total loans by number inside the bank's AAs during the evaluation period. However, the dollar amount of loans originated or purchased inside the AA was 52.8 percent. This analysis is performed at the bank, rather than the AA, level. The ratio is impacted by the number of home mortgage loans originated or purchased outside of the AA, as majority of farm loans were originated inside the AA by both number

and dollar amount. Home mortgage loans were primarily originated outside the AA to borrowers in surrounding counties as a result of refinancing opportunities associated with the low interest rate environment as a result of the COVID-19 pandemic.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage	170	34.5	323	65.5	493	25,038	36.6	43,440	63.4	68,478
Farm	246	63.2	143	36.8	389	58,811	65.1	31,602	34.9	90,413
<b>Total</b>	<b>416</b>	<b>47.2</b>	<b>466</b>	<b>52.8</b>	<b>882</b>	<b>83,849</b>	<b>52.8</b>	<b>75,042</b>	<b>47.2</b>	<b>158,891</b>

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

## Description of Institution

F&M is an intrastate financial institution headquartered in Nashville, Illinois. F&M is wholly owned by Farmers and Merchants Bancshares, Inc., a one-bank holding company also headquartered in Nashville, Illinois. F&M operates six full-service branches in addition to the main bank location, and seven proprietary automated teller machines (ATM), five of which take deposits. Since the last examination, the bank has not opened or closed any branches and there have been no major changes in F&M's corporate structure, including merger or acquisition activities.

As of September 30, 2021, F&M had total assets of \$238.5 million, with net loans totaling \$139.5 million or 58.5 percent of total assets. Real estate loans comprised the largest portion of the portfolio at 91 percent, followed by commercial loans at four percent, agriculture loans at three percent, and consumer loans at less than two percent. Tier one capital totals \$24.9 million. F&M's primary business strategy is to concentrate on lending products representative of community needs, which is primarily residential real estate and agriculture.

F&M offers a full range of loan and deposit services. Deposit services include a variety of checking, savings, and money market products for consumer and commercial customers. The bank offers certificates of deposit, IRA savings, and health savings accounts. Some loan products offered include home mortgage loans, home equity lines of credit, personal, and vehicle loans. F&M also offers agricultural operating, equipment, and real estate loans, as well as small business lines. The bank participates in flexible loan product programs such as Farmer Mac, Farmer Service Agency, Rural Development, Veterans Affairs, and International Foodservice Distributors Association loans. F&M offers additional services including mobile banking, remote deposit capture, wire transfers, direct deposit, and safety deposit boxes.

For CRA purposes, F&M has designated two AAs: the entirety of Washington County, Illinois encompassing four census tracts (CT) and the northeastern portion of St. Clair County, Illinois encompassing five CTs. Each AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The two AAs include the main bank, six branches, and seven ATMs. There are no low- or moderate-income CTs in either AA.

F&M received an overall "Satisfactory" at their last CRA evaluation dated November 28, 2017. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The scope of this evaluation includes an assessment of F&M under the small bank performance criteria, which consists of the lending test. This test evaluates the bank's record of meeting the credit needs of its assessment areas through lending activities. The evaluation period for the lending test is January 1, 2018 through December 31, 2020.

Based on our review of all loans originated and purchased from January 1, 2018 to December 31, 2020, we determined the bank's primary loan products for the Washington County AA to be home mortgage loans and farm loans, and for the St. Clair County AA to be home mortgage loans. Please refer to the following table for a summary of loan originations by loan type during the evaluation period:

<b>Loan Originations/Purchases by Loan Type from January 1, 2018 to December 31, 2020</b>				
<b>Loan Category</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>
Consumer Loans	317	20.0%	\$4,120	1.9%
Business Loans	334	21.1%	\$40,642	19.1%
Farm Loans	389	24.6%	\$90,414	42.5%
Home Loans	542	34.3%	\$77,782	36.5%
<b>Total</b>	<b>1,582</b>	<b>100%</b>	<b>\$212,958</b>	<b>100%</b>
<i>Source: Bank Records January 1, 2018- December 31, 2020</i>				
<i>Due to rounding, totals may not equal 100%</i>				

Examiners relied on Home Mortgage Disclosure Act (HMDA) data to complete analysis of home mortgage loans. Home mortgage loans originated or purchased during the evaluation period were compared to 2015 American Community Survey (ACS) U.S. Census and 2020 CRA peer aggregate data.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank-delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the Scope section under each State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### Ratings

The bank's overall rating is based solely on its performance in the state of Illinois. The state of Illinois rating is derived from the bank's performance under the CRA small bank lending test as well as related performance context information from the bank's AA. Except for the bank's LTD ratio (based on the

bank's entire lending portfolio), all weight for performance under the CRA small bank lending test was based on the bank's lending performance in relation to its primary products of farm loans and home mortgage loans for the Washington County AA and home mortgage loans for the St. Clair County AA.

## **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 AA 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 Bureau of Consumer Financial Protection, 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.

## State Rating

**CRA rating for the State of Illinois:** Satisfactory.

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

The major factors that support this rating include:

- F&Ms average LTD is reasonable give the size, financial condition, level of local competition, and credit needs of the AA.
- The distribution of loans to borrowers of different income levels is reasonable.
- The distribution of small loans to farms is excellent.
- F&M did not receive any CRA-related complaints during the evaluation period.

## Description of Institution's Operations in Illinois

### Washington County AA

#### Competition

Competition for deposits in the AA is moderate. As of June 30, 2020, F&M reported \$172 million in deposits in the AA. According to Federal Deposit Insurance Corporation (FDIC) market share information, F&M ranked first in deposit market share in the AA with a market share of 36.5 percent. The AA has a total of eight FDIC-insured deposit-taking institutions operating 13 branches. Institutions with the next three highest deposit market share include The Old Exchange National Bank of Okawville with 14.3 percent of the market, The First National Bank of Okawville with 12.8 percent of the market, and Nashville Savings Bank with 12.1 percent of the market.

Market competition for home mortgage loans is strong within the AA. According to the 2020 Peer Mortgage Market Share Data, F&M competed with 74 lenders within the AA, and the top 10 institutions originated or purchased approximately 451 home mortgage loans. F&M originated or purchased 114 home mortgages with market share of 25.3 percent.

#### Demographics

The following table provides a summary of the demographics, including housing and farm information, for the Washington County AA.



Demographic Information of the Assessment Area						
Assessment Area: Washington County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	14,457	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,575	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,553	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,224	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	798	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	852	0.0	0.0	100.0	0.0	0.0
Farms by Geography	203	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,868	15.1	16.5	21.8	46.5	0.0
Household Distribution by Income Level	5,777	19.1	15.3	17.6	47.9	0.0
Median Family Income Non-MSAs - IL		\$59,323	Median Housing Value			\$107,166
			Median Gross Rent			\$620
			Families Below Poverty Level			9.4%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### Family Distribution by Income Level

According to the 2015 ACS Census data, there were 3,868 families in the AA. Approximately 586 (15.1 percent) of those families were low-income families, 639 (16.5 percent) were moderate-income families, 845 (21.8 percent) were middle-income families, and 1,798 (46.5 percent) were upper-income families. Three hundred and sixty-four families (9.4 percent) live below the poverty level.

### Housing Characteristics and Home Affordability

The 2015 ACS Census data reported 6,575 total housing units in the AA. Of these housing unit, 4,553 (69.2 percent) were owner occupied, 1,224 (18.6 percent) were occupied rental units, and 798 (12.1 percent) were vacant. The median age of housing stock is 55 years. Older homes often cost more to maintain, frequently require significant repairs to meet building code requirements, and are typically less energy efficient. These factors add to the overall cost of homeownership and can have a negative impact on home affordability for low- and moderate-income individuals.

Based on information in the table below, low-income families earned less than \$31,950 (2018) and up to \$32,900 (2020), and moderate-income families earned from \$31,950 (2018) to \$52,640 (2020).

<b>Median Family Income Ranges Washington County AA</b>				
<b>IL NA Median Family Income (99999)</b>				
<b>Median Family Income</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80 to &lt;120%</b>	<b>Upper ≥120%</b>
2018 (\$63,900)	<\$31,950	\$31,950 to <\$51,120	\$51,120 to <\$76,680	≥\$76,680
2019 (\$64,200)	<\$31,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
2020 (\$65,800)	<\$32,900	\$32,900 to <\$52,640	\$52,640 to <\$78,960	≥\$78,960

*Source: FFIEC*

The median housing value for Washington County was \$107,166 in 2020 compared to \$104,028 in 2018. The \$3,138 (3.02 percent) increase in housing value is slightly higher than the \$1,900 (2.97 percent) increase in the Federal Financial Institution’s Examination Council (FFIEC)-adjusted median family income over the same period, as reflected in the table above.

### Employment Factors and Economic Conditions

According to the Bureau of Labor Statistics (BLS), the unemployment rates for Washington County, the State of Illinois, and nationally were improving year over year, but increased significantly in 2020 as a result of the COVID-19 pandemic. Washington County unemployment rates were below both the State of Illinois and the national rates for all years.

<b>Annual Unemployment Rates</b>			
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Washington County	2.9%	2.5%	5.3%
State of Illinois	4.4%	4.0%	9.5%
National	3.9%	3.7%	8.1%

*Source: US Department of Labor; Bureau of Labor Statistic. Rates are not seasonally adjusted.*

According to Moody’s Analytics dated October 2021, *Illinois’ economic recovery will proceed at a slightly slower pace than the region and the U.S. Tailwinds to the manufacturing base are numerous but easing of supply-chain bottlenecks is key to the near-term forecast. Longer term, IL will underperform because of poor population trends and troubled state and local finances.*

Based on the 2015 ACS Census data and June 2020 D&B data, there were 203 farms in the AA. Of these farms, 197 (97 percent) had annual revenues of less than \$1 million.

### Community Contacts

We reviewed a recent community contact from within the same period as this evaluation. The contact identified financial literacy programs and services for the “unbanked” population as the primary needs in the local communities.

### St. Clair County AA

#### Competition

Competition for deposits in St. Clair County is strong. As of June 30, 2020, F&M reported \$14.6 million in deposits in the AA. According to FDIC market share information, F&M ranked twenty-seventh in deposit market share in the AA with a market share of only 0.32 percent. The AA has a total of 29 FDIC-insured deposit-taking institutions operating 80 branches. Institutions with the highest deposit market share include Regions Bank with 17.2 percent, Citizens Community Bank with eight percent,

FCB Banks with 6.7 percent, and Associated Bank, National Association with 6.6 percent of the deposit market share.

Market competition for home mortgage loans is significant within the AA. According to 2020 Peer Mortgage Market Share Data, F&M competed with 169 lenders within the AA, and the top 10 institutions originated or purchased approximately 2,170 home mortgage loans. F&M originated or purchased 18 home mortgage loans with market share of 0.8 percent.

### Demographics

The following table provides a summary of the demographics, including housing information, for the St. Clair County AA.

Demographic Information of the Assessment Area						
Assessment Area: St Clair County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	60.0	40.0	0.0
Population by Geography	31,312	0.0	0.0	83.3	16.7	0.0
Housing Units by Geography	11,878	0.0	0.0	85.1	14.9	0.0
Owner-Occupied Units by Geography	7,160	0.0	0.0	84.5	15.5	0.0
Occupied Rental Units by Geography	3,421	0.0	0.0	86.4	13.6	0.0
Vacant Units by Geography	1,297	0.0	0.0	84.9	15.1	0.0
Businesses by Geography	1,510	0.0	0.0	80.2	19.8	0.0
Farms by Geography	89	0.0	0.0	68.5	31.5	0.0
Family Distribution by Income Level	8,165	12.9	17.6	19.5	50.0	0.0
Household Distribution by Income Level	10,581	13.4	14.7	15.5	56.4	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		\$70,718	Median Housing Value			\$171,262
			Median Gross Rent			\$1,095
			Families Below Poverty Level			5.0%

Source: 2015 ACS and 2020 D&B Data  
 Due to rounding, totals may not equal 100.0%  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

### Family Distribution by Income Level

According to the 2015 ACS Census data, there were 8,165 families in St. Clair County. Approximately 1,054 (12.9 percent) of those families were low-income families, 1,438 (17.6 percent) were moderate-income families, 1,593 (19.5 percent) were middle-income families, and 4,080 (50 percent) were upper-income families. Four hundred and eight families (five percent) live below the poverty level.

### Housing Characteristics and Home Affordability

The 2015 ACS Census data reported 11,878 total housing units in St. Clair County. Of these housing units, 7,160 (60.3 percent) were owner occupied, 3,421 (28.8 percent) were occupied rental units, and 1,297 (10.9 percent) were vacant. The median age of housing stock is 30 years. Older homes often cost more to maintain, frequently require significant repairs to meet building code requirements, and are

typically less energy efficient. These factors add to the overall cost of homeownership and can have a negative impact on home affordability for low- and moderate-income individuals.

Based on information in the table below, low-income families earned less than \$38,300 (2018) and up to \$41,300 (2020), and moderate-income families earned from \$38,300 (2018) to \$66,080 (2020).

<b>Median Family Income Ranges St. Clair County AA</b>				
<b>St. Louis, MO-IL MSA Median Family Income (41180)</b>				
<b>Median Family Income</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80 to &lt;120%</b>	<b>Upper ≥120%</b>
2018 (\$76,600)	<\$38,300	\$38,300 to <\$61,280	\$61,280 to <\$91,920	≥\$91,920
2019 (\$81,200)	<\$40,600	\$40,600 to <\$64,960	\$64,960 to <\$97,440	≥\$97,440
2020 (\$82,600)	<\$41,300	\$41,300 to <\$66,080	\$66,080 to <\$99,120	≥\$99,120

*Source: FFIEC*

The median housing value for St. Clair County was \$171,262 in 2020 compared to \$152,089 in 2018. The \$19,173 (12.6 percent) increase in housing value is notably higher than the \$6,000 (7.8 percent) increase in the FFIEC-adjusted median family income over the same period, as reflected in the table above, highlighting potential affordability issues for homebuyers.

#### Employment Factors and Economic Conditions

According to the BLS, the unemployment rates for St. Clair County, the State of Illinois, and nationally, were improving year over year, but increased significantly as a result of the COVID-19 pandemic in 2020. Both St. Clair County and the State of Illinois exceeded national annual unemployment rates for all years.

<b>Annual Unemployment Rates</b>			
<b>Area</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
St. Clair County	5.0%	4.2%	9.0%
State of Illinois	4.4%	4.0%	9.5%
National	3.9%	3.7%	8.1%

*Source: US Department of Labor; Bureau of Labor Statistic. Rates are not seasonally adjusted.*

#### Community Contacts

We reviewed a recent community contact from within the same period of this evaluation. The contact identified affordable home mortgages as the primary credit need in St. Clair County.

### **Scope of Evaluation in Illinois**

We performed full-scope reviews for the Washington County and St. Clair County AAs. Given a significant majority of the bank's lending inside an AA took place in the Washington County AA (89 percent) and the deposit market share is more significant (36.5 percent), this AA was given more weight in the overall assessment. Refer to Appendix A for more information.

## **LENDING TEST**

The bank's performance under the Lending Test in Illinois is rated Satisfactory.

### **Conclusions for Areas Receiving a Full-Scope Review**

Based on a full-scope review, the bank's performance in both AAs is satisfactory.

### **Distribution of Loans by Income Level of the Geography**

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.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels and farms of different sizes, given the product lines offered by the bank.

#### ***Home Mortgage Loans***

Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

#### **Washington County AA**

The distribution of home mortgage loans to borrowers of different income levels in this AA is reasonable. The percentage of home mortgage loans originated or purchased to low-income borrowers was well below the percentage of low-income families and behind the aggregate percentage of all reporting lenders. The percentage of home mortgage loans originated or purchased to moderate-income borrowers was below the percentage of moderate-income families, but in line with the aggregate percentage of all reporting lenders. A factor contributing to the low penetration of home mortgage loans to low-income families is the high poverty level at 9.4 percent.

#### **St. Clair County AA**

The distribution of home mortgage loans to borrowers of different income levels in this AA is reasonable. The percentage of home mortgage loans originated or purchased to low-income borrowers was below the percentage of low-income families but far exceeded the aggregate percentage of all reporting lenders. The percentage home mortgage loans originated or purchased to moderate-income borrowers was well below the percentage of moderate-income families but only just behind the aggregate percentage of all reporting lenders.

#### ***Small Loans to Farms***

Refer to Table T in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

Washington County AA

The distribution of small loans to farms of different sizes is excellent. The percentage of small farm loans originated or purchased compared favorably to the percentage of small farms and far exceeded the aggregate percentage of all reporting lenders.

**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 MSAs and non-MSAs 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>	01/01/2018 to 12/31/2020	
<b>Bank Products Reviewed:</b>	Home mortgage loans and loans made to farms	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	Not applicable	Not applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Illinois</b>		
Washington County	Full Scope	All of Washington County. CTs 9501, 9502, 9503, and 9504
St. Clair County	Full Scope	Northeast St. Clair County. CTs 5038, 5039.03, 5039.04, 5043.02, and 5043.03; Part of the St. Louis MO-IL MSA (#41180)

## Appendix B: Summary of MMSA and State Ratings

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<b>RATINGS: The Farmers and Merchants National Bank of Nashville</b>	
<b>Overall Bank:</b>	<b>Lending Test Rating:</b>
The Farmers and Merchants National Bank of Nashville	Satisfactory
<b>MMSA or State:</b>	
Illinois	Satisfactory



## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

**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.

**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.

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

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																			<b>2018-20</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
St Clair Cty - 2020 AA	22	4,008	13.6	2,170	12.9	5.6	2.7	17.6	9.1	11.5	19.5	22.7	19.9	50.0	50.0	30.4	0.0	13.6	35.6	
Washington Cty - 2020 AA	148	21,031	89.5	451	15.2	1.4	4.4	16.5	12.8	12.9	21.8	16.9	18.4	46.5	68.2	50.8	0.0	2.9	13.5	
<b>Total</b>	<b>170</b>	<b>25,038</b>	<b>100.0</b>	<b>2,621</b>	<b>13.6</b>	<b>1.8</b>	<b>3.0</b>	<b>17.3</b>	<b>12.4</b>	<b>11.7</b>	<b>20.3</b>	<b>17.6</b>	<b>19.6</b>	<b>48.8</b>	<b>65.9</b>	<b>33.9</b>	<b>0.0</b>	<b>2.4</b>	<b>31.8</b>	

*Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues</b>												<b>2018-20</b>	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans		
Washington Cty - 2020 AA	20	1,439	100.0	41	97.0	95.0	36.6	2.5	5.0	0.5	0.0		
<b>Total</b>	<b>20</b>	<b>1,439</b>	<b>100.0</b>	<b>51</b>	<b>96.9</b>	<b>95.0</b>	<b>43.1</b>	<b>1.7</b>	<b>5.0</b>	<b>1.4</b>	<b>0.0</b>		

*Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*