

PUBLIC DISCLOSURE

March 9, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers & Mechanics Bank
RSSD# 744238

21 East Main Street
Galesburg, Illinois 61401

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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FARMERS & MECHANICS BANK'S CRA RATING

Farmers & Mechanics Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Farmers & Mechanics Bank (F&M) is rated satisfactory and is meeting the credit needs of its assessment areas. The loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs and a majority of loans are within the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas and a reasonable penetration among individuals of different income, including low- and moderate-income levels, and businesses of different sizes. The bank has not received any CRA-related complaints, however appropriate procedures are in place to take action in response to CRA complaints.

F&M's community development performance demonstrates adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments and donations, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

SCOPE OF EXAMINATION

F&M's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Interagency CRA Procedures for Intermediate Small Banks. The evaluation analyzed information about the institution and its assessment areas including asset size, financial condition, economic and demographic characteristics, and competition.

F&M delineates two assessment areas: two counties in the Galesburg, Illinois nonmetropolitan statistical area (Galesburg Non MSA) and two counties in the Peoria, Illinois MSA #37900 (Peoria MSA). Both assessment areas received full-scope reviews given the branch concentration, lending volume, and deposit market share within each assessment area. The Galesburg Non MSA carried more weight than the Peoria MSA due to 85.0 percent of the bank's deposit volume and 77.0 percent of its lending volume taking place within this assessment area. Although weighted less, the Peoria MSA also received a full-scope review due to an increase in lending and deposit operations within the assessment area, the addition of a branch in the MSA since the previous evaluation, and the concentration of low- to moderate-income areas in the MSA.

Products reviewed during the evaluation include Home Mortgage Disclosure Act (HMDA)-reportable loans from January 1, 2017 through December 31, 2018; small business loans from January 1, 2018 through December 31, 2018; and community development loans, qualified investments and donations, and services from January 11, 2016 through March 9, 2020.

Performance within the designated assessment areas was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2017 to December 31, 2018, and a sample of small business loans originated from January 1, 2018 to December 31, 2018 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2017 to December 31, 2018, and a sample of small business loans originated from January 1, 2018 to December 31, 2018, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans originated from January 1, 2017 to December 31, 2018, and a sample of small business loans originated from January 1, 2018 to December 31, 2018, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from January 11, 2016 to March 9, 2020 were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, three community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: two economic development agencies, and one community development agency.

DESCRIPTION OF INSTITUTION

F&M is wholly owned by Central Bancshares, Inc., a multi-bank holding company in Muscatine, Iowa. F&M is headquartered in Galesburg, Illinois with total assets of \$369.7 million as of September 30, 2019. The bank maintains a total of five branches and five Automated Teller Machines (ATMs) in its two assessment areas, with three of the branches serving Knox and Warren County (Galesburg Non MSA), and two serving Peoria and Tazewell County (Peoria MSA). Since the previous evaluation, F&M acquired two branches; one in Brimfield, Illinois in the Peoria MSA, and one in Galesburg, Illinois within the Galesburg Non MSA.

F&M offers traditional lending and deposit products, with the loan portfolio comprised primarily of commercial loans (55.6 percent), followed by residential real estate loans at 24.7 percent, agricultural loans at 11.2 percent, and consumer loans at 8.0 percent. The table below represents the bank's loan portfolio mix as of September 30, 2019.

Composition of Loan Portfolio as of September 30, 2019		
Type	\$ (000s)	%
Residential Real Estate	58,023	24.7
Commercial	130,490	55.6
Agricultural	26,145	11.2
Consumer	18,798	8.0
Other	1,128	0.5
Gross Loans	234,584	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		
<i>Source: FFIEC Uniform Bank Performance Report</i>		

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on January 11, 2016.

DESCRIPTION OF ASSESSMENT AREA

F&M delineates two assessment areas within the state of Illinois: the Galesburg Non MSA and the Peoria MSA (#37900). In the Galesburg Non MSA, the bank delineates Knox and Warren Counties, which include major cities such as Galesburg, Knoxville, and Monmouth. In the Peoria MSA (#37900), F&M delineates two of five counties, Peoria County and Tazewell County. Major cities comprising both Peoria and Tazewell Counties include Peoria, Brimfield, and Pekin.

The combined assessment area has 99 census tracts including 16 low-income, 19 moderate-income, 43 middle-income, and 21 upper-income tracts. As such, 35.4 percent of the census tracts within the assessment area are designated as low- or moderate-income. Of the total families in the

assessment area, 21.9 percent are low-income, and 18.0 percent are moderate-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Farmers & Mechanics Bank’s performance relative to the lending test is rated Satisfactory based on a reasonable loan-to-deposit ratio given the bank’s size, financial condition, and assessment area credit needs; a majority of loans originated within the assessment area; a geographic distribution that reflects reasonable dispersion of lending throughout the assessment area and a reasonable penetration among individuals of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

F&M’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and the assessment area credit needs. The table below summarizes F&M’s and its competitors’ LTD ratios for the 16 quarters since the previous evaluation on January 11, 2016. F&M’s 16-quarter LTD is 71.7 percent. Although the bank’s LTD is lower than most of its competitors, it is comparable overall, and F&M’s LTD has increased from 65.0 percent from the previous evaluation, indicating the bank has increased lending to meet assessment area credit needs.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Farmers & Mechanics Bank	71.7
Competitors	
Better Banks	71.8
First Farmers State Bank	81.3
Fortress Bank	88.7
Midwest Bank	74.8
Security Savings Bank	78.5

Assessment Area Concentration

A majority of F&M’s loans and other lending-related activities are in its combined assessment area. As presented in the following table, 80.0 percent of total loans by number and 81.9 percent by dollar volume were originated within the assessment area. Specifically, 77.2 percent of 2018 HMDA-reportable loans by number and 81.4 percent by dollar volume were originated within the assessment area. Comparably, 91.1 percent of F&M’s small business loans by number and 84.0 percent by dollar volume were originated within the assessment area.

The following table summarizes the bank’s lending inside and outside its assessment area for HMDA-reportable loans and small business loans from January 1, 2018 through December 31, 2018. The bank’s lending in and outside of the assessment area was consistent for 2017 HMDA-

reportable loans, with 75.2 percent of total HMDA loans by number originated within the assessment area, and 24.8 percent originated outside of the assessment area. Please refer to Appendix B for the 2017 assessment area concentration table for HMDA-reportable loans.

Assessment Area Concentration								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement	12	85.7	292	71.6	2	14.3	116	28.4
Home Purchase - Conventional	164	82.4	17,212	78.2	35	17.6	4,804	21.8
Home Purchase - FHA	20	29.9	1,661	36.2	47	70.1	2,926	63.8
Home Purchase - VA	3	37.5	475	42.3	5	62.5	649	57.7
Multi-Family Housing	14	93.3	12,443	98.2	1	6.7	225	1.8
Other Purpose Closed-End	21	100.0	713	100.0	0	0.0	0	0.0
Refinancing	85	95.5	6,379	96.7	4	4.5	218	3.3
Total HMDA Related Loans	319	77.2	39,175	81.4	94	22.8	8,938	18.6
Total Small Business	92	91.1	8,890	84.0	9	8.9	1,693	16.0
Total Loans	411	80.0	48,065	81.9	103	20.0	10,631	18.1

Note: Percentages may not add to 100.0 percent due to rounding.
Note: Affiliate loans not included

Geographic and Borrower Distribution

F&M's overall geographic distribution reflects reasonable dispersion throughout both the Galesburg Non MSA and Peoria MSA assessment areas. In addition, F&M's lending reflects reasonable penetration among individuals of different income, including low- and moderate-income levels, and businesses of different sizes. Refer to the geographic and borrower distribution lending test analyses in the assessment area summaries for further details.

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

F&M's community development performance demonstrates adequate responsiveness to community development needs of its Galesburg Non MSA and Peoria MSA assessment areas through community development loans, qualified investments and donations, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

Lending, Investment, and Services Activities

The bank's community development lending, qualified investments, and community development services reflects adequate responsiveness to community development needs throughout the assessment areas. The table below presents the bank's total community development activities from January 11, 2016 through March 9, 2020. A further discussion of these activities is found in the individual assessment area summaries.

Community Development Activities, Review Period January 11, 2016 through March 9, 2020								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	Hours
Galesburg Illinois Non-MSA	20	\$7,212	10	\$3,135	135	\$154	77	3,423
Peoria Illinois MSA	3	\$1,057	4	\$1,825	11	\$13	18	671
Total Qualified	23	\$8,269	14	\$4,960	146	\$167	95	4,094

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

GALESBURG NONMETROPOLITAN AREA– FULL REVIEW

SCOPE OF EXAMINATION

Full-scope examination procedures were used to evaluate this assessment area. The scope of review is consistent with the overall scope previously described in this evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN GALESBURG NON MSA

Within the Galesburg Non MSA, F&M delineates the entirety of Knox and Warren Counties. The assessment area contains 21 census tracts; three are low-income and four are moderate-income tracts. The majority of the bank’s assessment area is comprised of middle-income census tracts, none of which are classified as distressed or underserved. F&M maintains three branches within the assessment area, including the main office. The branches are located within the city of Galesburg; two branches are located in low-income census tracts and one branch is located in a middle-income tract. Since the previous evaluation, F&M consolidated two of the branches that were located on the same street in Galesburg, and opened the branch in the middle-income census tract. The assessment area has not changed since the previous evaluation; however, due to updated income data from the American Community Survey described below, there were changes in income levels of four census tracts.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Accordingly, lending activity that took place in calendar years up to and including 2016 are evaluated based on ACS income level definitions from the five-year survey data set 2006-2010. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	1	3	2
Moderate	5	4	-1
Middle	12	11	-1
Upper	3	3	0
Unknown	0	0	0
Total	21	21	0
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015</i>			

As of the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Market Share Report, F&M

ranked second of 16 FDIC-insured institutions with 17.6 percent of the deposit market share in the assessment area. Comparatively, the first ranked institution, Midwest Bank, holds 19.7 percent of the deposit market share. Additionally, F&M ranked first of 131 institutions in HMDA-reportable lending, originating 260 HMDA-reportable loans in 2018. In 2017, F&M's HMDA-reportable lending ranked first of 128 HMDA-reporters, originating 233 HMDA-reportable loans. Demographic information regarding the assessment area is provided in the following table.

Assessment Area: 2018 IL Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	14.3	1,344	8.0	553	41.1	3,920	23.2
Moderate-income	4	19.0	3,631	21.5	650	17.9	3,350	19.8
Middle-income	11	52.4	9,733	57.7	706	7.3	3,484	20.6
Upper-income	3	14.3	2,169	12.9	176	8.1	6,123	36.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	21	100.0	16,877	100.0	2,085	12.4	16,877	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low-income	3,481	1,122	5.8	32.2	1,864	53.5	495	14.2
Moderate-income	6,577	4,122	21.3	62.7	1,819	27.7	636	9.7
Middle-income	17,584	11,765	60.7	66.9	3,729	21.2	2,090	11.9
Upper-income	3,993	2,375	12.3	59.5	1,334	33.4	284	7.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	31,635	19,384	100.0	61.3	8,746	27.6	3,505	11.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	424	19.5	349	18.2	69	34.7	6	10.5
Moderate-income	331	15.2	303	15.8	23	11.6	5	8.8
Middle-income	1,163	53.4	1,034	53.8	86	43.2	43	75.4
Upper-income	259	11.9	235	12.2	21	10.6	3	5.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,177	100.0	1,921	100.0	199	100.0	57	100.0
	Total Farms by Tract	Percentage of Total Businesses:		88.2		9.1		2.6
		Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
#	%	#	%	#	%	#	%	
Low-income	2	0.6	2	0.6	0	0.0	0	0.0
Moderate-income	15	4.5	15	4.6	0	0.0	0	0.0
Middle-income	277	83.2	275	83.8	1	25.0	1	100.0
Upper-income	39	11.7	36	11.0	3	75.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	333	100.0	328	100.0	4	100.0	1	100.0
	Percentage of Total Farms:		98.5		1.2		0.3	
	2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
Note: Percentages may not add to 100.0 percent due to rounding								

The following presentation of key demographics used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of ACS data, 2006-2010 and 2011-2015.

Population Characteristics

As presented in the table below, the assessment area’s population has decreased slightly from 2010 to 2011-2015. The decrease is driven by a 1.5 percent decline in population in Knox County, and a stagnant population in Warren County. Meanwhile, the population of the state of Illinois increased 0.3 percent over the same time period. A community representative noted that population has been trending downward in the assessment area since the 1980 census, primarily due to an aging population, with younger people leaving the area after attending college.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change
Knox County, IL	52,919	52,112	-1.5
Warren County, IL	17,707	17,701	0.0
State of Illinois	12,830,632	12,873,761	0.3
<i>Source: U.S. Census Bureau: Decennial Census: 2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

Income Characteristics

According to the 2011-2015 American Community Survey, the median family income in Knox County increased only 2.9 percent from 2006-2010, whereas the median family income increased 9.0 percent in Warren County over the same period. Although Warren County experienced a greater increase in income, the actual income in each county is similar; \$53,229 in Knox County compared to \$54,095 in Warren County. Over the same time period, the state of Illinois experienced an increase in median family income of 4.9 percent. Though the median family income has increased slightly over time, a community representative discussed the slow growth as a hindrance to attracting potential workers to the area.

Within the assessment area, 23.2 percent of families are low-income, 19.9 percent are moderate-income families and 12.3 percent of families fall below the poverty level. The majority of families in the assessment area are designated as middle- or upper-income (56.9 percent).

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income	2011-2015 Median Family Income	Percentage Change
Knox County, IL	51,740	53,229	2.9
Warren County, IL	49,623	54,095	9.0
State of Illinois	68,236	71,546	4.9
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Date: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

Housing Characteristics

There are a total of 31,635 housing units in the assessment area, of which 31.8 percent are located in low- or moderate-income census tracts. Of the housing units in low-income areas, the majority are rental units, signifying less opportunity for F&M to lend in these areas. Conversely, in moderate-income census tracts, the majority of units are owner-occupied, indicating that there is demand for mortgage lending in moderate-income areas. The median age of housing stock in the assessment area is 61 years, and of the housing units in low-income census tracts, 14.2 percent are vacant. This indicates a need for rehabilitation of housing stock, and is supported by conversations with a community representative, which indicated that while an older housing stock has kept housing affordable, there is a significant need for rehabilitation and new construction in the area.

Further supporting the need for new construction and rehabilitation, median housing values in Knox and Warren Counties have decreased 0.2 percent and 1.7 percent, respectively, from 2006-2010 to 2011-2015. Rent has increased slightly in Knox County (4.2 percent) over the same period but has decreased in Warren County (3.8 percent). The assessment area is trending in the same pattern as the state of Illinois, where there has been a 14.2 percent decrease in median housing values, but an 8.8 percent increase in median gross rent. As indicated by a community representative, the quality and availability of housing stock has been an issue for the area, in which the age and state of current housing has caused an excess of stock, bolstering affordability, but making it difficult to attract new residents to the community.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for Knox and Warren Counties is 0.50 and 0.53, respectively, significantly higher than the state's 0.33 affordability ratio, indicating that housing is more affordable in the assessment area than in the state as a whole.

Trends in Housing Costs 2006-2010 and 2011-2015					
Area	2006-2010 Median Housing Value	2011-2015 Median Housing Value	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent	2011-2015 Affordability Ratio
Knox County, IL	80,600	80,400	553	576	0.50
Warren County, IL	83,300	81,900	576	554	0.53
State of Illinois	202,500	173,800	834	907	0.33
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Date: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>					

Employment Conditions

Unemployment rates in the assessment area have improved since 2013; however, unemployment rates in Knox County have remained slightly higher than the other geographies in the table below due to the areas historical dependence on the manufacturing industry. A community representative stated that the unemployment rate in the area continues to improve, and given the decline in population, the lack of potential employees has kept unemployment levels low but has caused problems for companies seeking additional workers.

Unemployment Rates				
Area	2013	2014	2015	2016
Knox County, IL	8.9	7.0	6.0	6.1
Warren County, IL	7.9	5.9	5.2	5.3
State of Illinois	9.2	7.1	5.9	5.9
United States	7.4	6.2	5.3	4.9
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

Industry Characteristics

The following table presents the largest employers operating in Knox and Warren Counties. The primary industries driving the economy in these areas include manufacturing, healthcare, and schools. Additionally, a community representative noted that Knox County relies heavily on the transportation industry given a major railway that passes through the city of Galesburg. The representative also stated that due to the lack of available employees in the workforce, there have been issues securing employees that have the proper skillset for blue-collar jobs. As a result, job training has been a focus of many economic development agencies in the area. The community representative mentioned that small businesses, specifically retail and restaurants, have been growing and are increasingly successful in the counties, noting that this was an area of need to help keep the population stable.

Major Employers		
Company	Number of Employees	Industry
Farmland Foods, Inc.	1,700	Meat Packers (Manufacturers)
Smithfield Foods	1,200	Meat Products (Manufacturers)
Monmouth College	700	Schools, Universities, and Colleges
Galesburg Cottage Hospital	611	Hospitals
Cottage Behavioral Health Center	500	Health Services
St. Mary Medical Center	434	Hospitals
Knox College	327	Schools, Universities, and Colleges
AFSCME Local 1274	321	Labor Organizations
Walmart Super Center	300	Department Stores
Blick Art Materials	300	Art Materials and Supplies

Source: Business information provided by Infogroup®, Omaha, NE

Community Representative Data

One community representative with a focus on economic development was contacted to increase understanding of the credit needs and market conditions within the assessment area. The representative indicated that the major issues in the counties are the continuing decline in population, lack of available or trained employees, and the need for new construction and rehabilitation of the housing stock. The representative noted that local banks are present in the community and actively try to address community needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GALESBURG NONMETROPOLITAN AREA

LENDING TEST

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years 2017 and after were analyzed based on income designations from the 2011-2015 American Community Survey data.¹

The geographic distribution of HMDA-reportable and small business loans reflects reasonable dispersion throughout the assessment area. The assessment area contains 21 census tracts, of which three are low-income and four are moderate-income. In 2018, F&M originated loans in all of its census tracts. In addition, relative to low- and moderate-income geographies and lending dispersion, F&M penetrated all of its low- and moderate-income census tracts with HMDA-reportable loans, and originated small business loans in all but one moderate-income census tract. As such, F&M's dispersion analysis reflects willingness and responsiveness to assessment area

¹ The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)

credit needs. In 2017, F&M penetrated all but one of its census tracts for HMDA-reportable lending, a middle-income census tract. There will be no discussion of multi-family loans as originations were too low for a meaningful analysis to be conducted.

HMDA-Reportable Lending

Geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area. Of the total HMDA-reportable loans originated in 2018, F&M originated 5.4 percent in low-income census tracts, lower than the aggregate lenders at 8.2, but comparable to the 5.8 percent of owner-occupied units in low-income census tracts. HMDA-reportable lending in moderate-income census tracts (16.5 percent of loans) was slightly above the aggregate lenders at 15.7 percent, but lower than the percentage of owner occupied units at 21.3 percent. F&M originated 58.1 percent of its HMDA loans in middle-income tracts, slightly lower than the aggregate (62.2 percent) but consistent with the percentage of owner-occupied units (60.7 percent). The bank originated 20.0 percent of its HMDA loans in upper-income census tracts, higher than both the aggregate at 13.8 percent and the percentage of owner-occupied units at 12.3 percent. F&M's HMDA-reportable lending was consistent in 2017.

Home Purchase Loans

The majority of F&M's HMDA lending consisted of home purchase loans. Of home purchase loans, 5.0 percent were originated in low-income census tracts, significantly lower than the aggregate (10.7 percent), but consistent with the 5.8 percent of owner-occupied units. In moderate-income census tracts, F&M originated 20.0 percent of its home purchase loans, higher than the aggregate (14.5 percent) and consistent with the demographic (21.3 percent). The bank was lower than the aggregate lenders (61.7 percent) and the demographic (60.7 percent) in its origination in middle-income census tracts (52.5 percent). Conversely, F&M originated 22.5 percent of its home purchase loans in upper-income tracts, higher than the aggregate's 13.0 percent and the 12.3 percent of owner-occupied units in these tracts.

Refinance Loans

F&M originated 5.6 percent of its refinance loans in low-income census tracts, higher than the aggregate and consistent with the percentage of owner-occupied units at 3.3 percent and 5.8 percent, respectively. The bank originated 9.9 percent of refinance loans in moderate-income census tracts which was significantly lower than the aggregate (17.5 percent) and the 21.3 percent of owner-occupied units in moderate-income tracts. The majority of the bank's refinance loans occurred in middle-income census tracts (69.0 percent), higher than aggregate (65.1 percent) and comparable to the owner-occupied units (60.7 percent). F&M originated 15.5 percent of its refinance loans in upper-income tracts, slightly above the aggregate and the percentage of owner-occupied units at 14.2 percent and 12.3 percent, respectively.

Home Improvement Loans

In 2018, F&M originated only 8 home improvement loans, of which 12.5 percent were originated in low-income census tracts, significantly greater than the percentage of the aggregate lenders (1.6 percent) and the demographic (5.8 percent). No home improvement loans were originated in moderate-income census tracts. The majority of the bank's home improvement loans (75.0 percent) were originated in middle-income census tracts, outperforming both the aggregate (67.2 percent) and the percentage of owner-occupied units (60.7 percent). The bank originated 12.5 percent of its home improvement loans in upper-income tracts, consistent with both the aggregate and demographic.

Other Purpose Closed-End Loans

F&M originated 5.9 percent of other purpose closed-end loans in low-income census tracts, below the aggregate lenders at 8.7 percent and consistent with assessment area demographics (5.8 percent). The bank originated 17.6 percent of its loans in moderate-income tracts, above the aggregate lenders (15.2 percent) and below the percentage of owner-occupied units (21.3 percent) in these tracts. The majority of the other purpose loans (52.9 percent) were made in middle-income census tracts, consistent with the aggregate (54.3 percent), but below the 60.7 percent of owner-occupied units. F&M originated 23.5 percent of its other purpose loans in upper-income census tracts, consistent with the aggregate (21.7 percent), and higher than the 12.3 percent of owner-occupied units in upper-income tracts.

The following table presents the geographic distribution of HMDA-reportable loans in the assessment area in 2018. Please refer to Appendix B for 2017 geographic distribution tables.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2018 IL Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2018			2018			
		Count Bank		Agg %	Dollar Bank		Agg \$ %	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	8	5.0	10.7	351	2.2	2.9	5.8
	Moderate	32	20.0	14.5	1,998	12.7	9.9	21.3
	Middle	84	52.5	61.7	8,522	54.2	68.7	60.7
	Upper	36	22.5	13.0	4,857	30.9	18.4	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		160	100.0	100.0	15,728	100.0	100.0
Refinance	Low	4	5.6	3.3	379	7.3	2.5	5.8
	Moderate	7	9.9	17.5	322	6.2	10.1	21.3
	Middle	49	69.0	65.1	3,541	68.0	68.2	60.7
	Upper	11	15.5	14.2	967	18.6	19.2	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		71	100.0	100.0	5,209	100.0	100.0
Home Improvement	Low	1	12.5	1.6	6	2.7	0.3	5.8
	Moderate	0	0.0	18.0	0	0.0	23.0	21.3
	Middle	6	75.0	67.2	199	88.1	65.4	60.7
	Upper	1	12.5	13.1	21	9.3	11.3	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		8	100.0	100.0	226	100.0	100.0
Multi-Family	Low	0	0.0	26.7	0	0.0	65.1	37.5
	Moderate	1	25.0	6.7	45	10.3	0.4	7.9
	Middle	3	75.0	33.3	393	89.7	9.6	33.0
	Upper	0	0.0	33.3	0	0.0	24.8	21.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		4	100.0	100.0	438	100.0	100.0
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	5.8
	Moderate	0	0.0	50.0	0	0.0	18.5	21.3
	Middle	0	0.0	50.0	0	0.0	81.5	60.7
	Upper	0	0.0	0.0	0	0.0	0.0	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	1	5.9	8.7	21	4.5	5.9	5.8
	Moderate	3	17.6	15.2	38	8.1	7.1	21.3
	Middle	9	52.9	54.3	155	32.9	59.1	60.7
	Upper	4	23.5	21.7	257	54.6	27.9	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		17	100.0	100.0	471	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	3.8	0	0.0	2.5	5.8
	Moderate	0	0.0	23.1	0	0.0	18.8	21.3
	Middle	0	0.0	61.5	0	0.0	65.6	60.7
	Upper	0	0.0	11.5	0	0.0	13.1	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	14	5.4	8.2	757	3.4	8.5	5.8
	Moderate	43	16.5	15.7	2,403	10.9	9.4	21.3
	Middle	151	58.1	62.2	12,810	58.0	62.9	60.7
	Upper	52	20.0	13.8	6,102	27.6	19.1	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		260	100.0	100.0	22,072	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data

Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

The geographic distribution of small business lending reflects reasonable dispersion throughout the assessment area. F&M originated 19.6 percent of its small business loans by volume (25.3 percent by dollar amount) in low-income census tracts. This is consistent with the 19.5 percent of total businesses in low-income census tracts in the assessment area. In moderate-income tracts, F&M originated 9.8 percent of its small business loans (2.5 percent by dollar volume), which was lower than the 15.2 percent of small businesses located in moderate-income census tracts. The majority of small business lending, 43.1 percent by volume and 37.4 percent by dollar amount were originated in middle-income census tracts; however, this is below the 53.4 percent of total businesses located in middle-income census tracts in the assessment area. The bank originated 27.5 percent by volume and 34.9 percent by dollar volume of its small business loans in upper-income census tracts, outperforming the 11.9 percent of businesses located in these tracts.

The following table presents the geographic distribution of small business loans in 2018.

Geographic Distribution of Small Business Loans						
Assessment Area: 2018 IL Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2018 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	
Small Business	Low	10	19.6	1,049	25.3	19.5
	Moderate	5	9.8	102	2.5	15.2
	Middle	22	43.1	1,551	37.4	53.4
	Upper	14	27.5	1,446	34.9	11.9
	Unknown	0	0.0	0	0.0	0.0
	Total	51	100.0	4,148	100.0	100.0

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

For the purposes of this review, loans made in calendar year 2017 or after were analyzed based on 2011-2015 American Community Survey income designations for individuals².

The bank’s lending reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

² Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).

HMDA-Reportable Lending

In 2018, 11.2 percent of F&M's total HMDA loans were originated to low-income borrowers, consistent with the aggregate lenders (11.7 percent). Both the bank and the aggregate of lenders were below the 23.2 percent of low-income families within the assessment area. Conversely, F&M originated 25.8 percent of its HMDA loans to moderate-income borrowers, outperforming both the aggregate (20.9 percent) and the 19.8 percent of moderate-income families in the assessment area. F&M originated the majority of its HMDA loans to upper-income borrowers (40.0 percent), slightly higher than both the aggregate (36.9 percent) and the demographic (36.3 percent). Additionally, 11 HMDA loans (4.2 percent) were originated to borrowers of unknown-income, below the aggregate lenders (10.6 percent). There will be no discussion of multifamily loans as originations were too low for a meaningful analysis to be conducted. F&M's HMDA-reportable lending was consistent in 2017.

Home Purchase Loans

In 2018, F&M originated 11.9 percent of its home purchase loans to low-income borrowers, consistent with the aggregate lenders (11.0 percent), but significantly below the 23.2 percent of families in the assessment area that are low-income. However, F&M originated 25.0 percent of its home purchase loans to moderate-income borrowers, above both the aggregate and the percentage of moderate-income families at 21.8 percent and 19.8 percent, respectively. Of the total home purchase loans, F&M originated 18.1 percent to middle-income borrowers, consistent with both the aggregate (21.0 percent) and the percentage of middle-income families in the assessment area (20.6 percent). F&M originated the most home purchase loans (40.6 percent) to upper-income borrowers, slightly above the aggregate (37.3 percent) and the 36.3 percent of upper-income families in the assessment area. Additionally, 4.4 percent of loans were originated to borrowers of unknown-income, lower than the aggregate at 8.9 percent.

Refinance Loans

F&M originated 9.9 percent of its refinance loans to low-income borrowers, below both the aggregate (14.8 percent) and the demographic (23.2 percent). Conversely, the bank originated 26.8 percent of its refinance loans to moderate-income borrowers, higher than both the aggregate and demographic at 22.3 percent and 19.8 percent, respectively. The bank originated 22.5 percent of refinance loans to middle-income borrowers, above the aggregate (17.8 percent), but consistent with the percentage of middle-income families in the assessment area (20.6 percent). F&M originated 40.8 percent of refinance loans to upper-income borrowers, consistent with the aggregate at 38.9 percent and slightly higher than the demographic at 36.3 percent.

Home Improvement Loans

The bank originated one, or 12.5 percent of its home improvement loans to low-income borrowers,

above the aggregate lenders (8.2 percent), but significantly below the 23.2 percent of low-income families. However, the bank significantly outperformed the aggregate and demographic in originations to moderate-income borrowers. F&M originated 37.5 percent of home improvement loans to moderate-income borrowers, above the aggregate at 13.1 percent and the percentage of moderate-income families (19.8 percent). This performance is notable given the need discussed by the community representative for rehabilitation of housing stock. The bank originated 12.5 percent of loans to middle-income borrowers, significantly below the aggregate (29.5 percent) and below demographic (20.6 percent). Additionally, the bank made 37.5 percent of its home improvement loans to upper-income borrowers, slightly below the aggregate (41.0 percent) but consistent with the 36.3 percent of families in the assessment area considered upper-income.

Other Purpose Closed-End Loans

F&M originated 11.8 percent of other closed-end loans to low-income borrowers, falling below the aggregate lenders' 17.4 percent and significantly below the 23.2 percent of low-income families located in the assessment area. The bank outperformed in its originations to moderate-income borrowers, originating 29.4 percent of other purpose loans which is above the aggregate (26.1 percent), and the percentage of moderate-income families (19.8 percent). F&M originated 17.6 percent of other purpose loans to middle-income borrowers, below the aggregate (26.1 percent) and the demographic (20.6 percent). Again, the majority of other purpose loans were to upper-income borrowers, accounting for 41.2 percent of the total. F&M outperformed the aggregate lenders at 28.3 percent, and was higher than the 36.3 percent of families that are upper-income in the assessment area.

The following table presents the borrower distribution of HMDA-reportable loans in the assessment area in 2018. Please refer to Appendix B for 2017 borrower distribution tables.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2018 IL Non MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2018						
		Count Bank		Agg	Dollar Bank		Agg	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	19	11.9	11.0	1,049	6.7	6.4	23.2
	Moderate	40	25.0	21.8	2,685	17.1	15.5	19.8
	Middle	29	18.1	21.0	2,704	17.2	21.3	20.6
	Upper	65	40.6	37.3	8,761	55.7	47.7	36.3
	Unknown	7	4.4	8.9	529	3.4	9.1	0.0
	Total		160	100.0	100.0	15,728	100.0	100.0
Refinance	Low	7	9.9	14.8	331	6.4	7.7	23.2
	Moderate	19	26.8	22.3	1,143	21.9	15.5	19.8
	Middle	16	22.5	17.8	985	18.9	15.4	20.6
	Upper	29	40.8	38.9	2,750	52.8	54.5	36.3
	Unknown	0	0.0	6.3	0	0.0	6.9	0.0
	Total		71	100.0	100.0	5,209	100.0	100.0
Home Improvement	Low	1	12.5	8.2	6	2.7	4.3	23.2
	Moderate	3	37.5	13.1	100	44.2	10.9	19.8
	Middle	1	12.5	29.5	21	9.3	25.3	20.6
	Upper	3	37.5	41.0	99	43.8	43.7	36.3
	Unknown	0	0.0	8.2	0	0.0	15.8	0.0
	Total		8	100.0	100.0	226	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	23.2
	Moderate	0	0.0	0.0	0	0.0	0.0	19.8
	Middle	0	0.0	0.0	0	0.0	0.0	20.6
	Upper	0	0.0	33.3	0	0.0	8.2	36.3
	Unknown	4	100.0	66.7	438	100.0	91.8	0.0
	Total		4	100.0	100.0	438	100.0	100.0
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	23.2
	Moderate	0	0.0	0.0	0	0.0	0.0	19.8
	Middle	0	0.0	0.0	0	0.0	0.0	20.6
	Upper	0	0.0	50.0	0	0.0	74.8	36.3
	Unknown	0	0.0	50.0	0	0.0	25.2	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	2	11.8	17.4	22	4.7	10.2	23.2
	Moderate	5	29.4	26.1	71	15.1	17.7	19.8
	Middle	3	17.6	26.1	157	33.3	23.7	20.6
	Upper	7	41.2	28.3	221	46.9	38.6	36.3
	Unknown	0	0.0	2.2	0	0.0	9.7	0.0
	Total		17	100.0	100.0	471	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	23.2
	Moderate	0	0.0	0.0	0	0.0	0.0	19.8
	Middle	0	0.0	0.0	0	0.0	0.0	20.6
	Upper	0	0.0	3.8	0	0.0	9.4	36.3
	Unknown	0	0.0	96.2	0	0.0	90.6	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	29	11.2	11.7	1,408	6.4	6.1	23.2
	Moderate	67	25.8	20.9	3,999	18.1	13.8	19.8
	Middle	49	18.8	20.0	3,867	17.5	17.7	20.6
	Upper	104	40.0	36.9	11,831	53.6	45.0	36.3
	Unknown	11	4.2	10.6	967	4.4	17.4	0.0
	Total		260	100.0	100.0	22,072	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

In 2018, F&M originated a total of 51 small business loans, with 90.2 percent by number and 91.0 percent by dollar volume originated to businesses with gross revenues of \$1 million or less. This is slightly above the gross revenue composition of businesses in the assessment area, as 88.2 percent of total businesses in the area have revenues of \$1 million or less. Of those loans, a majority (76.1 percent) were in amounts of \$100,000 or less, which are considered to be most beneficial to small businesses.

The table below presents the borrower distribution of small business loans in the assessment area in 2018.

Small Business Lending By Revenue & Loan Size								
Assessment Area: 2018 IL Non MSA								
Product Type		Bank & Demographic Comparison						
		2018		2018		Total Businesses		
Revenue	Loan Size	Count	Dollar				%	
		Bank	Bank	\$ 000s	\$ %			
#	%							
Small Business	\$1 Million or Less	Over \$1 Million or Unknown	46	90.2	3,776	91.0	88.2	
			5	9.8	372	9.0	11.8	
			51	100.0	4,148	100.0	100.0	
	\$100,000 or Less	\$100,001 - \$250,000	\$250,001 - \$1 Million	38	74.5	1,512	36.5	
				11	21.6	1,616	39.0	
				2	3.9	1,020	24.6	
				51	100.0	4,148	100.0	
	\$100,000 or Less	\$100,001 - \$250,000	\$250,001 - \$1 Million	35	76.1	1,381	36.6	
				9	19.6	1,375	36.4	
				2	4.3	1,020	27.0	
				46	100.0	3,776	100.0	

Originations & Purchases
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments and donations, and community development services, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area. Community development activities conducted since the previous evaluation on January 11, 2016 through March 9, 2020 were reviewed. During the last evaluation, F&M was evaluated under the FFIEC’s Interagency CRA procedures for small banks, which do not include an analysis of community development activities; therefore, no comparison can be made for community development activities in the last evaluation.

Lending

During the review period, F&M originated 20 community development loans in this assessment area totaling \$7.2 million for the purposes of revitalization and stabilization and economic development. The majority of the bank's loans served a purpose of revitalization and stabilization, totaling 15 loans for approximately \$5.8 million. This is particularly responsive to needs identified by a community representative, as many of the loans were originated to open small businesses in low-to-moderate income census tracts, and it was noted that retail businesses and restaurants were in demand and to help mitigate population loss in Galesburg. Additionally, F&M originated five community development loans for the purpose of economic development, totaling approximately \$1.4 million.

Investments

F&M made 10 qualified investments during the review period totaling \$3.1 million. Of the qualified investments, five were prior period investments totaling \$1.7 million, and five were new investments totaling \$1.5 million. The substantial majority (9) of the investments were for the purpose of revitalization and stabilization of the community, specifically stabilizing the low- and moderate-income areas in the city of Galesburg. A community representative noted that population has been declining in the area since the 1980 census, supporting the significant need for revitalization and stabilization efforts in the community.

F&M made 135 qualified donations throughout the assessment area totaling \$153,545. Of note, 17 donations were for the purpose of economic development and supported small businesses in the assessment area. Additionally, the majority of donations (87) supported community services for several organizations that directly impact the low- and moderate-income individuals in the assessment area.

Services

Bank staff provided 3,423 service hours to organizations throughout the assessment area. The majority of the hours were provided through employees providing assistance and serving as board members. A significant number of the bank's hours were for the purpose of community services, which consisted of financial education for low- and moderate-income students, serving on the board of child advocacy centers that aid low-income children, and board membership of safe harbor organizations. Notably, 252 of the bank's hours were attributed to bank employees assisting on the board of various economic development agencies, which provide job training to potential employees. A community representative specifically noted workforce development as a need in the assessment area.

Summary of CD Activities, Review Period January 11, 2016 through March 9, 2020										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours
Lending	0	\$0	5	\$1,384	15	\$5,828	0	\$0	20	\$7,212
Investment	0	\$0	0	\$0	9	\$2,635	1	\$500	10	\$3,135
Donations	1	\$1	17	\$6	30	\$68	87	\$79	135	\$154
Services	20	1,538	5	252	15	516	37	1,117	77	3,423

PEORIA METROPOLITAN AREA – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate this assessment area. The scope of review is consistent with the overall scope previously described in this evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PEORIA MSA

Within the Peoria MSA, F&M delineates the entirety of Peoria and Tazewell Counties. Marshall, Stark, and Woodford Counties are also located within the MSA but are not included in the bank’s assessment area. The assessment area contains 78 census tracts including 13 low- and 15 moderate-income tracts. The majority of the bank’s assessment area is comprised of middle-income and upper-income tracts, with 32 and 18 census tracts, respectively. F&M maintains two branches in the Peoria MSA; one is located in a middle-income census tract, and one in an upper-income census tract. Since the previous evaluation, the bank acquired one branch located in Brimfield, Illinois, approximately 20 miles northwest of the city of Peoria. The bank maintains two ATMs in the MSA, both of which are new since the previous evaluation. The assessment area has not changed since the previous evaluation; however, due to updated income data from the American Community Survey described below, there were changes in income levels of sixteen census tracts.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Accordingly, lending activity that took place in calendar years up to and including 2016 are evaluated based on ACS income level definitions from the five-year survey data set 2006-2010. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	9	13	4
Moderate	15	15	0
Middle	40	32	-8
Upper	14	18	4
Unknown	0	0	0
Total	78	78	0
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015</i>			

As of the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Market Share Report, F&M ranked 19th of 29 FDIC-insured institutions with 0.8 percent of the deposit market share in the assessment area, indicating significant competition within the MSA. Comparatively, the first ranked institution, Morton Community Bank, holds 33.0 percent of the deposit market share. Additionally, F&M ranks 20th of 222 institutions in HMDA-reportable lending, originating 59 HMDA-reportable loans in 2018. The first ranked institution, Citizens Equity First Credit Union, originated 1,785 HMDA loans in 2018. In 2017, F&M ranked 19th of 228 HMDA-reporters, originating 67 HMDA-reportable loans. Demographic information regarding the assessment area is provided in the following table.

Assessment Area: 2018 Peoria, IL MSA 37900								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	13	16.7	6,436	7.7	2,379	37.0	18,033	21.6
Moderate-income	15	19.2	15,492	18.5	2,278	14.7	14,714	17.6
Middle-income	32	41.0	36,407	43.6	2,577	7.1	17,653	21.1
Upper-income	18	23.1	25,241	30.2	748	3.0	33,176	39.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	78	100.0	83,576	100.0	7,982	9.6	83,576	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low-income	14,453	4,187	4.6	29.0	7,551	52.2	2,715	18.8
Moderate-income	28,689	16,812	18.5	58.6	9,472	33.0	2,405	8.4
Middle-income	60,799	41,572	45.8	68.4	15,602	25.7	3,625	6.0
Upper-income	37,493	28,226	31.1	75.3	6,999	18.7	2,268	6.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	141,434	90,797	100.0	64.2	39,624	28.0	11,013	7.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1,332	12.5	1,088	11.7	228	19.2	16	10.5
Moderate-income	1,722	16.2	1,531	16.5	175	14.8	16	10.5
Middle-income	4,503	42.4	3,982	42.8	448	37.8	73	48.0
Upper-income	3,075	28.9	2,694	29.0	334	28.2	47	30.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	10,632	100.0	9,295	100.0	1,185	100.0	152	100.0
	Percentage of Total Businesses:			87.4		11.1		1.4
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	3	0.7	2	0.4	1	12.5	0	0.0
Moderate-income	15	3.3	15	3.3	0	0.0	0	0.0
Middle-income	243	53.1	238	53.1	4	50.0	1	50.0
Upper-income	197	43.0	193	43.1	3	37.5	1	50.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	458	100.0	448	100.0	8	100.0	2	100.0
	Percentage of Total Farms:			97.8		1.7		0.4
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

The following presentation of key demographics used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of ACS data, 2006-2010 and 2011-2015.

Population Characteristics

As presented in the table below, population has been stagnant in the assessment area counties, growing only 0.3 percent and 0.2 percent in Peoria and Tazewell Counties, respectively. The assessment area’s population change is consistent with the state of Illinois, in which over the same time period, the state’s population increased only 0.3 percent. Community representatives stated that although the population has been stagnant, the area is experiencing a shift in population in which people are moving from lower-income areas to higher-income areas, specifically, moving from the cities within the assessment area to suburban areas, which is perpetuating a need for reinvestment in the cities.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change
Peoria County, IL	186,494	187,112	0.3
Tazewell County, IL	135,394	135,697	0.2
Peoria, IL MSA	379,186	379,947	0.2
State of Illinois	12,830,632	12,873,761	0.3
<i>Source: U.S. Census Bureau: Decennial Census: 2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

Income Characteristics

According to the 2011-2015 American Community Survey, median family income in Peoria County increased 4.2 percent from 2006-2010, whereas the median family income increased at a greater rate, 7.8 percent, in Tazewell County. Over the same period, the state of Illinois experienced a median family income increase of 4.9 percent, consistent with Peoria County. Community representatives mentioned that although there has not been significant income growth, incomes remain relatively high throughout the MSA because many of the manufacturing jobs that exist require highly skilled labor, such as engineering.

Within the assessment area, 21.6 percent of families are low-income, and 17.6 percent are moderate income families. Only 9.6 percent of families in the assessment area fall below the poverty level. Although poverty levels overall remain low, community representatives indicated that in the cities of Peoria and Pekin, poverty is a significant issue. Middle-income families comprise 21.1 percent of the assessment area, with the majority of families designated as upper-income (39.7 percent).

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income	2011-2015 Median Family Income	Percentage Change
Peoria County, IL	63,163	65,788	4.2
Tazewell County, IL	66,764	72,000	7.8
Peoria, IL MSA	66,038	69,329	5.0
State of Illinois	68,236	71,546	4.9
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

Housing Characteristics

There are 141,434 housing units in the assessment area, of which 10.2 percent are located in low-income census tracts and 20.3 percent are located in moderate-income census tracts. Of the housing units in low-income tracts, the majority are rental units, signifying less opportunity for F&M to lend in these areas. Conversely, in moderate-income census tracts, the majority of units are owner-occupied (58.6 percent), indicating that there is demand for mortgage lending in the moderate-income areas. There is significant percentage of vacant units in low-income census tracts (18.8 percent), and the median age of housing stock in these areas is 61 years. This indicates a need for housing rehabilitation in low-income areas in the assessment area. Discussions with community representatives further supported this, as representatives noted that housing is very affordable throughout the MSA; however, the affordable housing is not quality housing, as the repairs often cost more than the value of the house.

Median housing values in Peoria and Tazewell Counties have increased 6.4 and 7.3 percent, respectively from 2006-2010 to 2011-2015. Median gross rent has also increased at a similar rate in the counties, increasing 6.6 percent in Peoria County, and 8.1 percent in Tazewell County. Conversely, the state of Illinois has experienced a significant decrease in median housing values of 14.2 percent over the period, while median gross rent increased similarly to the assessment area (8.8 percent).

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for Peoria and Tazewell Counties is 0.40 and 0.43, respectively, higher than the state's ratio of 0.33, indicating that housing is more affordable in the assessment area than in the state as a whole.

Trends in Housing Costs 2006-2010 and 2011-2015					
Area	2006-2010 Median Housing Value	2011-2015 Median Housing Value	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent	2011-2015 Affordability Ratio
Peoria County, IL	119,000	126,600	669	713	0.40
Tazewell County, IL	125,700	134,900	631	682	0.43
Peoria, IL MSA	123,496	131,267	657	701	0.42
State of Illinois	202,500	173,800	834	907	0.33
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Date: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>					

Employment Conditions

Unemployment rates in the assessment area have improved since 2013. However, the assessment area unemployment rates have remained higher than the state of Illinois and the United States as a whole from 2013 to 2016. Community representatives stated that unemployment remains higher than the country due to the area’s past reliance on manufacturing. The Peoria MSA was heavily involved in manufacturing as Caterpillar was a major employer; however, the company moved their headquarters from Peoria several years ago, resulting in higher unemployment. The area has since diversified industries but is still affected by cyclical employment and business conditions related to manufacturing.

Unemployment Rates				
Area	2013	2014	2015	2016
Peoria County, IL	9.9	7.8	6.8	6.8
Tazewell County, IL	9.0	6.8	6.2	6.3
Peoria, IL MSA	9.3	7.2	6.3	6.5
State of Illinois	9.2	7.1	5.9	5.9
United States	7.4	6.2	5.3	4.9
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

Industry Characteristics

The following table presents the largest employers operating in Peoria and Tazewell Counties. According to location quotients developed by the U.S. Bureau of Labor Statistics, Peoria County is predominately driven by the education and health care services fields, and Tazewell County’s economy is driven by the manufacturing industry. Community representatives discussed that although manufacturing is still prevalent in the Peoria MSA, healthcare is now the primary industry. Additionally, representatives noted that workforce development is a crucial need in several industries including manufacturing, healthcare, and information technology.

Major Employers		
Company	Number of Employees	Industry
OSF Healthcare St. Francis Medical Center	7,270	Hospitals Health Services
Unity Point Optimum Health	5,750	Hospitals
Unity Point Methodist Medical Clinic	2,500	Clinics
Illinois Central College	1,491	Junior and Community Colleges
Par-A-Dice Hotel and Casino	1,100	Casinos
Unity Point Pekin Hospital	1,000	Hospitals
Keystone Steel and Wire Co.	1,000	Wire Manufacturers
RLI Corporation	800	Insurance Holding Companies
Komatsu America Corporation	700	Construction Equipment Manufacturers
Hodge	700	Material Handling Equipment

Source: Business information provided by Infogroup®, Omaha, NE

Community Representative Data

Two community representatives, one with a focus on economic development and one with a focus on community development, were contacted to increase understanding of the credit needs and market conditions within the assessment area. The representatives indicated the major issues in the counties are the need for rehabilitation of the affordable housing stock, and workforce development for several industries. The representatives noted that local banks are present in the community and actively try to address community needs, with one representative specifically highlighting F&M's willingness to help within the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PEORIA MSA

LENDING TEST

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years 2017 and after were analyzed based on income designations from the 2011-2015 American Community Survey data.³

The geographic distribution of HMDA-reportable and small business loans reflects reasonable dispersion throughout the assessment area. The assessment area contains 78 census tracts, of which 13 are low- and 15 are moderate-income tracts. Dispersion analysis of the bank's 2018 lending reflects some gaps in lending, with F&M penetrating 57.7 percent of its assessment area census tracts. F&M made loans in 61.5 percent of its low-income census tracts, but only in 40.0 percent moderate-income census tracts. Although dispersion analysis reveals some weaknesses, there are few opportunities for mortgage lending in low- and moderate-income census tracts.

³ The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)

Additionally, intense competition exists in the assessment area, with F&M holding only 0.8 percent of deposit market share, further reducing opportunities to lend and mitigating weaknesses in performance.

HMDA-Reportable Lending

Geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area. Of the total HMDA-reportable loans originated in 2018, F&M originated 13.6 percent in low-income census tracts, significantly outperforming the aggregate lenders (2.2 percent) and the percentage of owner-occupied housing in low-income census tracts (4.6 percent). F&M originated 11.9 percent of its total HMDA loans in moderate-income tracts, below the aggregate lenders (18.3 percent) and the percentage of owner-occupied units in moderate-income tracts (18.5 percent). In middle-income census tracts, the bank also underperformed compared to the aggregate and percentage of owner-occupied units, originating 30.5 percent of loans in middle-income tracts compared to the aggregate's 45.8 percent and the demographic of 45.8 percent. F&M originated 44.1 percent of HMDA loans in upper-income census tracts, above the aggregate at 33.7 percent and the 31.1 percent of owner-occupied units in upper-income census tracts. There will be no discussion of home improvement loans or other purpose closed-end loans as originations were too low for a meaningful analysis to be conducted. F&M's HMDA-reportable lending was consistent in 2017.

Home Purchase Loans

F&M originated one home purchase loans, (3.7 percent) in a low-income census tract. This outperforms the aggregate lenders (1.6 percent) and is consistent with percentage of owner-occupied units in low-income census tracts (4.6 percent). F&M also originated one home purchase loan (3.7 percent) in a moderate-income census tract; however, unlike its performance in low-income census tracts, this is significantly below the aggregate (17.8 percent) and the percentage of owner-occupied units in moderate-income census tracts (18.5 percent). F&M originated 29.6 percent of loans in middle-income tracts, again falling below the aggregate and the percentage of owner occupied units at 45.8 percent for each. Conversely, in upper-income census tracts, the bank originated 63.0 percent of its home purchase loans, significantly outperforming the aggregate and the percentage of owner-occupied units at 34.8 percent and 31.1 percent, respectively.

Refinance Loans

F&M had strong performance in its 2018 refinance loan originations. F&M originated 14.3 percent of its total refinance loans in low-income census tracts, significantly above the aggregate (2.4 percent) and the demographic (4.6 percent). F&M also outperformed in moderate-income tracts (28.6 percent), significantly above the aggregate's 18.6 percent and the 18.5 percent of owner-occupied units. F&M originated 21.4 percent of its refinance loans in middle-income census tracts, significantly below the aggregate and the percentage of owner occupied units at 45.9 percent and

45.8 percent, respectively. In upper-income census tracts, the bank originated 35.7 percent of its refinance loans, consistent with the aggregate at 33.1 percent, and the 31.1 percent of owner-occupied units in upper-income census tracts.

Multifamily Loans

F&M originated 40.0 percent of its multi-family loans in low-income census tracts, significantly above the aggregate (15.3 percent) and the multifamily units in low-income census tracts (18.8 percent). The bank originated 10.0 percent of its multifamily loans in moderate-income census tracts, below the aggregate (27.8 percent) and the percentage of multifamily units in moderate-income tracts (20.0 percent). In middle-income tracts, F&M originated 40.0 percent of its multifamily loans, consistent with the aggregate and the percentage of multifamily units at 37.5 percent and 41.6 percent, respectively. F&M originated 10.0 percent of its multifamily loans in upper-income census tracts falling below the aggregate (19.4 percent) and the percent of multifamily units in these areas (19.6 percent).

The following table presents the geographic distribution of HMDA-reportable loans in the assessment area in 2018. Please refer to Appendix B for 2017 geographic distribution tables.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2018 Peoria, IL MSA 37900								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2018						
		Count Bank		Dollar Bank		Agg		
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	1	3.7	1.6	13	0.4	0.6	4.6
	Moderate	1	3.7	17.8	12	0.3	10.5	18.5
	Middle	8	29.6	45.8	964	26.6	40.0	45.8
	Upper	17	63.0	34.8	2,631	72.7	49.0	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		27	100.0	100.0	3,620	100.0	100.0
Refinance	Low	2	14.3	2.4	138	11.8	1.8	4.6
	Moderate	4	28.6	18.6	136	11.6	11.7	18.5
	Middle	3	21.4	45.9	312	26.7	39.7	45.8
	Upper	5	35.7	33.1	584	49.9	46.9	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		14	100.0	100.0	1,170	100.0	100.0
Home Improvement	Low	1	25.0	2.0	16	24.2	1.0	4.6
	Moderate	0	0.0	14.2	0	0.0	10.5	18.5
	Middle	0	0.0	48.6	0	0.0	43.8	45.8
	Upper	3	75.0	35.2	50	75.8	44.7	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		4	100.0	100.0	66	100.0	100.0
Multi-Family	Low	4	40.0	15.3	3,809	31.7	21.0	18.8
	Moderate	1	10.0	27.8	176	1.5	10.3	20.0
	Middle	4	40.0	37.5	3,806	31.7	52.7	41.6
	Upper	1	10.0	19.4	4,214	35.1	16.0	19.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		10	100.0	100.0	12,005	100.0	100.0
Other Purpose LOC	Low	0	0.0	1.3	0	0.0	0.5	4.6
	Moderate	0	0.0	18.5	0	0.0	9.8	18.5
	Middle	0	0.0	39.2	0	0.0	33.4	45.8
	Upper	0	0.0	41.0	0	0.0	56.3	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	2.7	0	0.0	2.6	4.6
	Moderate	1	25.0	14.3	70	28.9	10.0	18.5
	Middle	3	75.0	53.7	172	71.1	46.7	45.8
	Upper	0	0.0	29.3	0	0.0	40.7	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		4	100.0	100.0	242	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	7.9	0	0.0	4.2	4.6
	Moderate	0	0.0	34.5	0	0.0	29.4	18.5
	Middle	0	0.0	43.2	0	0.0	45.3	45.8
	Upper	0	0.0	14.4	0	0.0	21.1	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	8	13.6	2.2	3,976	23.2	2.3	4.6
	Moderate	7	11.9	18.3	394	2.3	11.1	18.5
	Middle	18	30.5	45.8	5,254	30.7	41.0	45.8
	Upper	26	44.1	33.7	7,479	43.7	45.6	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		59	100.0	100.0	17,103	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data

Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

The geographic distribution of small business lending reflects reasonable dispersion throughout the assessment area. F&M originated 14.6 percent of its small business loans by volume and 15.4 percent by dollar amount in low-income census tracts. This is consistent with the 12.5 percent of total businesses in low-income census tracts in the assessment area. In moderate-income tracts, F&M originated 14.6 percent of its total small business loans (20.8 percent by dollar volume), which was also consistent with the 16.2 percent of small businesses located in moderate-income census tracts. A significant percentage of small business lending, 36.6 percent by volume and 50.9 percent by dollar amount, were originated in middle-income census tracts. F&M's performance is consistent with the 42.4 percent of total businesses located in middle-income census tracts in the assessment area. The bank originated 34.1 percent by volume and 13.0 percent by dollar volume of small business loans in upper-income census tracts, slightly outperforming the 28.9 percent of businesses located in these tracts.

The following table presents the geographic distribution of small business loans in 2018.

Geographic Distribution of Small Business Loans						
Assessment Area: 2018 Peoria, IL MSA 37900						
	Tract Income Levels	Bank & Demographic Comparison				
				2018		Total Businesses
		Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	%
Small Business	Low	6	14.6	729	15.4	12.5
	Moderate	6	14.6	984	20.8	16.2
	Middle	15	36.6	2,413	50.9	42.4
	Upper	14	34.1	616	13.0	28.9
	Unknown	0	0.0	0	0.0	0.0
	Total	41	100.0	4,742	100.0	100.0

2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

For the purposes of this review, loans made in calendar year 2017 or after were analyzed based on 2011-2015 American Community Survey income designations for individuals⁴.

The bank's lending reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

⁴ Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).

HMDA-Reportable Lending

In 2018, F&M originated 20.3 percent of its total HMDA loans to low-income borrowers. The bank's performance is above the aggregate lenders (14.0 percent) and consistent with the percentage of low-income families in the assessment area (21.6). Conversely, the bank underperforms in total HMDA lending for moderate-income borrowers, in which F&M originated 8.5 percent of HMDA loans to moderate-income borrowers, significantly below both the aggregate (20.1 percent) and the demographic (17.6 percent). F&M originated 18.6 percent of HMDA loans to middle-income borrowers, consistent with both the aggregate (19.4 percent) and the percentage of middle-income families in the assessment area (21.1). F&M originated the majority (44.1 percent) of its HMDA loans to upper-income borrowers, above the aggregate (28.1 percent), but consistent with the demographic (39.7 percent). Additionally five loans (8.5 percent) were originated to borrowers of unknown income, below the aggregate (18.4 percent). There will be no discussion of home improvement loans or other purpose closed-end loans as originations were too low for a meaningful analysis to be conducted. F&M's HMDA-reportable lending was consistent in 2017.

Home Purchase Loans

Of the bank's total home purchase loans, 22.2 percent were originated to low-income borrowers, outperforming the aggregate lenders (15.9 percent) and consistent with the demographic (21.6 percent). However, for loans to moderate-income borrowers, the bank originated only 7.4 percent of its total home purchase loans, significantly underperforming both the aggregate and demographic at 21.6 percent and 17.6 percent, respectively. The bank originated 25.9 percent of its home purchase loans to middle-income borrowers, slightly higher than the aggregate (21.3 percent) and the percentage of middle-income families in the assessment area (21.1 percent). To upper-income borrowers, F&M originated 40.7 percent of its home purchase loans, outperforming the aggregate (29.3 percent), and consistent with the demographic (39.7 percent). F&M originated one home purchase loan (3.7 percent) to borrowers of unknown income, compared to the aggregate's 11.8 percent.

Refinance Loans

In 2018, F&M originated 42.9 percent of its refinance loans to low-income borrowers, which is significantly higher than the aggregate at 14.2 percent and the 21.6 percent of low-income families. Conversely, the bank originated 7.1 percent of its refinance loans to moderate-income borrowers, lower than the aggregate and demographic at 22.0 percent and 17.6 percent, respectively. The bank originated 14.3 percent of its refinance loans to middle-income borrowers, below both the aggregate (19.9 percent) and the demographic (21.1 percent). F&M originated 35.7 percent of its total refinance loans to upper-income borrowers, higher than the aggregate (28.8 percent), and consistent with the demographic at 39.7 percent.

Multifamily Loans

In 2018, F&M did not originate any multifamily loans to low- or middle-income borrowers. F&M originated one multifamily loan (10.0 percent) to a moderate income borrower, exceeding the aggregate (4.2 percent) but below the demographic (17.6 percent). The bank originated 40.0 percent of its multifamily loans to borrowers of unknown income (businesses), and 50.0 percent to upper-income borrowers. F&M's originations of multifamily loans to upper-income borrowers was higher than the aggregate (19.4 percent) and the demographic (39.4 percent).

The following table presents the borrower distribution of HMDA-reportable loans in the assessment area in 2018. Please refer to Appendix A for 2017 borrower distribution tables.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2018 Peoria, IL MSA 37900								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2018			2018			
		Count Bank		Agg	Dollar Bank		Agg	
		#	%	%	\$(000s)	\$ %	\$ %	%
Home Purchase	Low	6	22.2	15.9	575	15.9	8.8	21.6
	Moderate	2	7.4	21.6	141	3.9	16.9	17.6
	Middle	7	25.9	21.3	889	24.6	22.1	21.1
	Upper	11	40.7	29.3	1,759	48.6	42.9	39.7
	Unknown	1	3.7	11.8	256	7.1	9.3	0.0
	Total		27	100.0	100.0	3,620	100.0	100.0
Refinance	Low	6	42.9	14.2	292	25.0	8.3	21.6
	Moderate	1	7.1	22.0	95	8.1	17.7	17.6
	Middle	2	14.3	19.9	277	23.7	19.3	21.1
	Upper	5	35.7	28.8	506	43.2	43.1	39.7
	Unknown	0	0.0	15.1	0	0.0	11.6	0.0
	Total		14	100.0	100.0	1,170	100.0	100.0
Home Improvement	Low	0	0.0	8.6	0	0.0	6.3	21.6
	Moderate	1	25.0	14.5	25	37.9	11.2	17.6
	Middle	1	25.0	15.8	15	22.7	14.4	21.1
	Upper	2	50.0	28.9	26	39.4	38.5	39.7
	Unknown	0	0.0	32.1	0	0.0	29.6	0.0
	Total		4	100.0	100.0	66	100.0	100.0
Multi-Family	Low	0	0.0	2.8	0	0.0	0.3	21.6
	Moderate	1	10.0	4.2	160	1.3	0.7	17.6
	Middle	0	0.0	0.0	0	0.0	0.0	21.1
	Upper	5	50.0	19.4	888	7.4	7.0	39.7
	Unknown	4	40.0	73.6	10,957	91.3	92.0	0.0
	Total		10	100.0	100.0	12,005	100.0	100.0
Other Purpose LOC	Low	0	0.0	6.2	0	0.0	3.9	21.6
	Moderate	0	0.0	16.3	0	0.0	12.1	17.6
	Middle	0	0.0	13.2	0	0.0	8.6	21.1
	Upper	0	0.0	24.2	0	0.0	41.1	39.7
	Unknown	0	0.0	40.1	0	0.0	34.3	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	7.5	0	0.0	5.4	21.6
	Moderate	0	0.0	17.0	0	0.0	17.5	17.6
	Middle	1	25.0	15.0	16	6.6	18.8	21.1
	Upper	3	75.0	34.0	226	93.4	42.7	39.7
	Unknown	0	0.0	26.5	0	0.0	15.6	0.0
	Total		4	100.0	100.0	242	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	2.5	0	0.0	1.6	21.6
	Moderate	0	0.0	1.8	0	0.0	2.2	17.6
	Middle	0	0.0	1.4	0	0.0	2.3	21.1
	Upper	0	0.0	0.7	0	0.0	0.2	39.7
	Unknown	0	0.0	93.5	0	0.0	93.7	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	12	20.3	14.0	867	5.1	7.8	21.6
	Moderate	5	8.5	20.1	421	2.5	15.4	17.6
	Middle	11	18.6	19.4	1,197	7.0	19.2	21.1
	Upper	26	44.1	28.1	3,405	19.9	39.4	39.7
	Unknown	5	8.5	18.4	11,213	65.6	18.1	0.0
	Total		59	100.0	100.0	17,103	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

In 2018, F&M originated 30 small business loans, with 73.2 percent by number and 82.9 percent by dollar volume originated to businesses with gross revenues of \$1 million or less. The bank’s small business lending by number is below the gross revenue composition of businesses in the assessment area, as 87.4 percent of total businesses in the area have revenues of \$1 million or less; however, lending by dollar volume is consistent. Of those loans, 50.0 percent were in amounts of \$100,000 or less, which are considered to be most beneficial to small businesses.

The table below presents the borrower distribution of small business loans in the assessment area in 2018.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2018 Peoria, IL MSA 37900							
Product Type		Bank & Demographic Comparison					
		2018		2018		Total Businesses	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	30	73.2	3,929	82.9	87.4
		Over \$1 Million or Unknown	11	26.8	813	17.1	12.6
		Total	41	100.0	4,742	100.0	100.0
	Loan Size	\$100,000 or Less	25	61.0	1,070	22.6	
		\$100,001 - \$250,000	14	34.1	2,508	52.9	
		\$250,001 - \$1 Million	2	4.9	1,165	24.6	
		Total	41	100.0	4,743	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	15	50.0	612	15.6	
		\$100,001 - \$250,000	14	46.7	2,508	63.8	
		\$250,001 - \$1 Million	1	3.3	809	20.6	
		Total	30	100.0	3,929	100.0	
	Originations & Purchases						
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments and donations, and services, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community development activities conducted since the previous evaluation on January 11, 2016 through March 9, 2020 were reviewed. During the last evaluation, F&M was evaluated under the FFIEC’s Interagency CRA procedures for small banks, which do not include analysis of community development activities; therefore, no comparison can be made for community development activities in the last evaluation.

Overall, the bank's community development performance is reasonable; however, opportunity exists for improvement in the assessment area. Community representatives stated that the assessment area needs increased investment in start-ups, women-owned and minority-owned businesses; increased funding or credit extended for the revitalization of affordable housing; increased funding to workforce development programs; and financial education. However, given the bank's lending and deposit concentration in the Peoria MSA, and the intense competition in the area evidenced by the bank's 0.8 percent deposit market share (FDIC Deposit Market Share Report), F&M's community development activity is adequate.

Lending

During the review period, the bank originated three community development loans totaling \$1.1 million. All of the loans served the purpose of affordable housing in which developers were purchasing multifamily buildings to rehabilitate and rent at fair market values. This is particularly responsive, as the improvement of affordable housing was the primary need noted by community representatives within the assessment area.

Investments

F&M made four investments totaling \$1.8 million. Of the total investments, two were prior period investments totaling \$715,000, and two were new investments totaling \$1.1 million. All four investments were for the purpose of revitalization and stabilization in the cities of Peoria and Pekin. Both of these areas have significant low- and moderate-income areas, and as noted by community representatives, population has been shifting out of the low- and moderate-income areas to higher income areas, increasing the need for revitalization and stabilization activities in these cities.

The bank made 11 donations throughout the assessment area totaling \$13,010. All of the donations supported community services for organizations that directly affect low- and moderate-income individuals in the assessment area.

Services

Bank staff provided 671 hours to organizations throughout the assessment area. The majority of hours were for the purpose of community services, which consisted of bank staff serving as board members for organizations that directly affect low- and moderate-income individuals. Additionally, F&M staff also served on the board of an economic development agency that focuses on providing assistance to small businesses.

Summary of CD Activities, Review Period January 11, 2016 through March 9, 2020										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours
Lending	3	\$1,057	0	\$0	0	\$0	0	\$0	3	\$1,057
Investment	0	\$0	0	\$0	4	\$1,825	0	\$0	4	\$1,825
Donations	0	\$0	0	\$0	0	\$0	11	\$13	11	\$13
Services	0	0	2	26	0	0	16	645	18	671

APPENDIX A – Additional Demographic Tables

Assessment Area: 2017 IL Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	14.3	1,344	8.0	553	41.1	3,920	23.2
Moderate-income	4	19.0	3,631	21.5	650	17.9	3,350	19.8
Middle-income	11	52.4	9,733	57.7	706	7.3	3,484	20.6
Upper-income	3	14.3	2,169	12.9	176	8.1	6,123	36.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	21	100.0	16,877	100.0	2,085	12.4	16,877	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	3,481	1,122	5.8	32.2	1,864	53.5	495	14.2
Moderate-income	6,577	4,122	21.3	62.7	1,819	27.7	636	9.7
Middle-income	17,584	11,765	60.7	66.9	3,729	21.2	2,090	11.9
Upper-income	3,993	2,375	12.3	59.5	1,334	33.4	284	7.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	31,635	19,384	100.0	61.3	8,746	27.6	3,505	11.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	398	20.0	325	18.6	68	34.7	5	10.0
Moderate-income	288	14.5	263	15.1	22	11.2	3	6.0
Middle-income	1,075	54.0	950	54.5	86	43.9	39	78.0
Upper-income	229	11.5	206	11.8	20	10.2	3	6.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,990	100.0	1,744	100.0	196	100.0	50	100.0
			Percentage of Total Businesses:		87.6		9.8	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1	0.3	1	0.3	0	0.0	0	0.0
Moderate-income	13	4.1	13	4.1	0	0.0	0	0.0
Middle-income	260	81.3	259	82.0	1	25.0	0	0.0
Upper-income	46	14.4	43	13.6	3	75.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	320	100.0	316	100.0	4	100.0	0	0.0
			Percentage of Total Farms:		98.8		1.3	
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Assessment Area: 2017 Peoria, IL MSA 37900								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	13	16.7	6,436	7.7	2,379	37.0	18,033	21.6
Moderate-income	15	19.2	15,492	18.5	2,278	14.7	14,714	17.6
Middle-income	32	41.0	36,407	43.6	2,577	7.1	17,653	21.1
Upper-income	18	23.1	25,241	30.2	748	3.0	33,176	39.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	78	100.0	83,576	100.0	7,982	9.6	83,576	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	14,453	4,187	4.6	29.0	7,551	52.2	2,715	18.8
Moderate-income	28,689	16,812	18.5	58.6	9,472	33.0	2,405	8.4
Middle-income	60,799	41,572	45.8	68.4	15,602	25.7	3,625	6.0
Upper-income	37,493	28,226	31.1	75.3	6,999	18.7	2,268	6.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	141,434	90,797	100.0	64.2	39,624	28.0	11,013	7.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	1,200	12.9	958	11.9	228	19.5	14	11.1
Moderate-income	1,506	16.1	1,318	16.4	175	14.9	13	10.3
Middle-income	3,926	42.1	3,427	42.7	442	37.7	57	45.2
Upper-income	2,700	28.9	2,331	29.0	327	27.9	42	33.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	9,332	100.0	8,034	100.0	1,172	100.0	126	100.0
	Percentage of Total Businesses:			86.1		12.6		1.4
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	2	0.4	2	0.5	0	0.0	0	0.0
Moderate-income	15	3.3	15	3.4	0	0.0	0	0.0
Middle-income	240	53.6	236	53.5	4	57.1	0	0.0
Upper-income	191	42.6	188	42.6	3	42.9	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	448	100.0	441	100.0	7	100.0	0	0.0
	Percentage of Total Farms:			98.4		1.6		0.0
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

APPENDIX B – Additional Lending Tables

2017 Assessment Area Concentration								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement	17	94.4	505	92.5	1	5.6	41	7.5
Home Purchase - Conventional	139	84.2	12,297	66.1	26	15.8	6,299	33.9
Home Purchase - FHA	20	27.8	1,622	31.0	52	72.2	3,615	69.0
Home Purchase - VA	5	38.5	733	39.8	8	61.5	1,107	60.2
Multi-Family Housing	6	85.7	1,355	92.9	1	14.3	103	7.1
Refinancing	113	91.1	10,537	86.6	11	8.9	1,626	13.4
Total HMDA Related Loans	300	75.2	27,049	67.9	99	24.8	12,791	32.1
Total Loans	300	75.2	27,049	67.9	99	24.8	12,791	32.1
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i> <i>Note: Affiliate loans not included</i>								

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2017 IL Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count		Dollar		Agg		
		Bank	Agg	Bank	Agg			
#	%	%	\$ (000s)	\$ %	\$ %			
Home Purchase	Low	7	5.5	3.4	430	3.9	2.2	5.8
	Moderate	18	14.1	19.1	932	8.4	12.6	21.3
	Middle	82	64.1	63.8	7,429	67.0	66.9	60.7
	Upper	21	16.4	13.4	2,293	20.7	18.1	12.3
	Unknown	0	0.0	0.3	0	0.0	0.2	0.0
	Total	128	100.0	100.0	11,084	100.0	100.0	100.0
Refinance	Low	4	4.7	4.3	687	9.9	3.2	5.8
	Moderate	13	15.1	18.5	469	6.8	11.2	21.3
	Middle	56	65.1	62.7	4,385	63.4	67.3	60.7
	Upper	13	15.1	14.5	1,375	19.9	18.3	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	86	100.0	100.0	6,916	100.0	100.0	100.0
Home Improvement	Low	1	6.7	5.3	31	7.4	1.4	5.8
	Moderate	4	26.7	21.8	127	30.4	19.5	21.3
	Middle	7	46.7	60.2	179	42.8	59.4	60.7
	Upper	3	20.0	12.8	81	19.4	19.8	12.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	15	100.0	100.0	418	100.0	100.0	100.0
Multi-Family	Low	2	50.0	50.0	435	58.8	46.8	37.5
	Moderate	0	0.0	0.0	0	0.0	0.0	7.9
	Middle	2	50.0	50.0	305	41.2	53.2	33.0
	Upper	0	0.0	0.0	0	0.0	0.0	21.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	4	100.0	100.0	740	100.0	100.0	100.0
HMDA Totals	Low	14	6.0	4.2	1,583	8.3	3.1	5.8
	Moderate	35	15.0	19.1	1,528	8.0	12.2	21.3
	Middle	147	63.1	63.0	12,298	64.2	66.5	60.7
	Upper	37	15.9	13.6	3,749	19.6	18.0	12.3
	Unknown	0	0.0	0.2	0	0.0	0.1	0.0
	Total	233	100.0	100.0	19,158	100.0	100.0	100.0

Originations & Purchases
2017 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

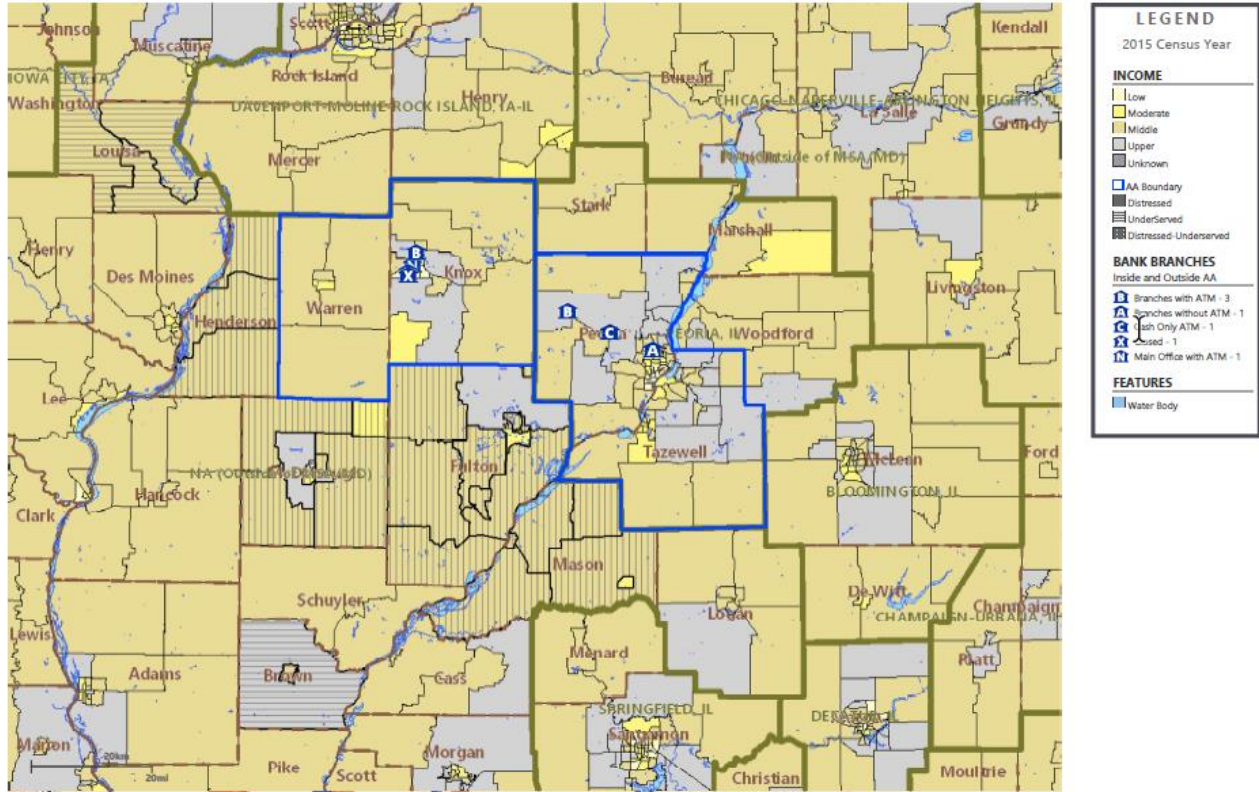
Borrower Distribution of HMDA Reportable Loans										
Assessment Area: 2017 IL Non MSA										
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %		
		Count		2017						
		Bank		Agg		Dollar			Agg	
		#	%	%	Bank \$ (000s)	\$ %	Agg \$ %			
Home Purchase	Low	12	9.4	10.6	686	6.2	6.0	23.2		
	Moderate	33	25.8	23.6	2,057	18.6	17.1	19.8		
	Middle	30	23.4	20.1	2,812	25.4	18.8	20.6		
	Upper	52	40.6	32.2	5,482	49.5	45.6	36.3		
	Unknown	1	0.8	13.6	47	0.4	12.4	0.0		
	Total	128	100.0	100.0	11,084	100.0	100.0	100.0		
Refinance	Low	14	16.3	12.7	443	6.4	5.9	23.2		
	Moderate	11	12.8	19.0	586	8.5	10.5	19.8		
	Middle	25	29.1	23.1	1,468	21.2	17.5	20.6		
	Upper	29	33.7	33.2	3,324	48.1	51.4	36.3		
	Unknown	7	8.1	11.9	1,095	15.8	14.7	0.0		
	Total	86	100.0	100.0	6,916	100.0	100.0	100.0		
Home Improvement	Low	2	13.3	12.0	67	16.0	8.7	23.2		
	Moderate	4	26.7	22.6	78	18.7	12.8	19.8		
	Middle	0	0.0	27.1	0	0.0	22.8	20.6		
	Upper	9	60.0	33.8	273	65.3	47.8	36.3		
	Unknown	0	0.0	4.5	0	0.0	7.9	0.0		
	Total	15	100.0	100.0	418	100.0	100.0	100.0		
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	23.2		
	Moderate	0	0.0	0.0	0	0.0	0.0	19.8		
	Middle	0	0.0	0.0	0	0.0	0.0	20.6		
	Upper	0	0.0	0.0	0	0.0	0.0	36.3		
	Unknown	4	100.0	100.0	740	100.0	100.0	0.0		
	Total	4	100.0	100.0	740	100.0	100.0	100.0		
HMDA Totals	Low	28	12.0	11.3	1,196	6.2	6.0	23.2		
	Moderate	48	20.6	21.9	2,721	14.2	14.4	19.8		
	Middle	55	23.6	21.6	4,280	22.3	18.2	20.6		
	Upper	90	38.6	32.5	9,079	47.4	47.0	36.3		
	Unknown	12	5.2	12.6	1,882	9.8	14.3	0.0		
	Total	233	100.0	100.0	19,158	100.0	100.0	100.0		
Originations & Purchases										
2017 FFIEC Census Data										
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>										

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2017 Peoria, IL MSA 37900								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count		Dollar		Agg	Agg	
		Bank	Agg	Bank	Agg			
#	%	%	\$ (000s)	\$ %	\$ %			
Home Purchase	Low	5	13.9	2.2	270	7.6	1.0	4.6
	Moderate	4	11.1	18.5	226	6.3	11.0	18.5
	Middle	15	41.7	46.6	1,609	45.1	40.4	45.8
	Upper	12	33.3	32.7	1,463	41.0	47.6	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	36	100.0	100.0	3,568	100.0	100.0	100.0
Refinance	Low	0	0.0	2.5	0	0.0	1.7	4.6
	Moderate	4	14.8	18.4	277	7.6	11.2	18.5
	Middle	11	40.7	43.9	1,045	28.9	39.7	45.8
	Upper	12	44.4	35.1	2,299	63.5	47.4	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	27	100.0	100.0	3,621	100.0	100.0	100.0
Home Improvement	Low	1	50.0	6.9	12	13.8	2.4	4.6
	Moderate	0	0.0	21.0	0	0.0	13.6	18.5
	Middle	0	0.0	42.6	0	0.0	43.8	45.8
	Upper	1	50.0	29.6	75	86.2	40.1	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	2	100.0	100.0	87	100.0	100.0	100.0
Multi-Family	Low	0	0.0	17.8	0	0.0	6.2	18.8
	Moderate	2	100.0	17.8	615	100.0	9.6	20.0
	Middle	0	0.0	48.9	0	0.0	51.2	41.6
	Upper	0	0.0	15.6	0	0.0	33.0	19.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	2	100.0	100.0	615	100.0	100.0	100.0
HMDA Totals	Low	6	9.0	2.7	282	3.6	1.4	4.6
	Moderate	10	14.9	18.7	1,118	14.2	11.1	18.5
	Middle	26	38.8	45.6	2,654	33.6	40.6	45.8
	Upper	25	37.3	33.0	3,837	48.6	46.9	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	67	100.0	100.0	7,891	100.0	100.0	100.0
Originations & Purchases								
2017 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2017 Peoria, IL MSA 37900								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count		Dollar		Agg \$ %		
		Bank #	%	Bank \$ (000s)	%			
		Agg %						
Home Purchase	Low	5	13.9	14.0	314	8.8	7.7	21.6
	Moderate	12	33.3	21.9	881	24.7	16.6	17.6
	Middle	5	13.9	19.6	690	19.3	19.7	21.1
	Upper	12	33.3	28.0	1,533	43.0	42.8	39.7
	Unknown	2	5.6	16.5	150	4.2	13.2	0.0
	Total	36	100.0	100.0	3,568	100.0	100.0	100.0
Refinance	Low	1	3.7	11.5	73	2.0	6.1	21.6
	Moderate	7	25.9	19.5	695	19.2	13.7	17.6
	Middle	7	25.9	22.4	756	20.9	19.5	21.1
	Upper	9	33.3	34.2	1,822	50.3	47.3	39.7
	Unknown	3	11.1	12.4	275	7.6	13.4	0.0
	Total	27	100.0	100.0	3,621	100.0	100.0	100.0
Home Improvement	Low	0	0.0	17.0	0	0.0	7.6	21.6
	Moderate	1	50.0	21.3	12	13.8	13.7	17.6
	Middle	1	50.0	26.7	75	86.2	22.3	21.1
	Upper	0	0.0	33.4	0	0.0	53.5	39.7
	Unknown	0	0.0	1.6	0	0.0	3.0	0.0
	Total	2	100.0	100.0	87	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.6
	Moderate	0	0.0	0.0	0	0.0	0.0	17.6
	Middle	0	0.0	0.0	0	0.0	0.0	21.1
	Upper	0	0.0	0.0	0	0.0	0.0	39.7
	Unknown	2	100.0	100.0	615	100.0	100.0	0.0
	Total	2	100.0	100.0	615	100.0	100.0	100.0
HMDA Totals	Low	6	9.0	13.4	387	4.9	7.0	21.6
	Moderate	20	29.9	21.1	1,588	20.1	15.2	17.6
	Middle	13	19.4	20.8	1,521	19.3	19.1	21.1
	Upper	21	31.3	30.0	3,355	42.5	43.0	39.7
	Unknown	7	10.4	14.6	1,040	13.2	15.8	0.0
	Total	67	100.0	100.0	7,891	100.0	100.0	100.0
Originations & Purchases								
2017 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

APPENDIX C – Maps of Assessment Areas

The Farmers and Mechanics Bank 744238
Combined Assessment Area



APPENDIX D – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	HMDA- reportable loans originated from January 1, 2017 through December 31, 2018 Small Business loans originated from January 1, 2018 through December 31, 2018 Community development activity from January 11, 2016 through March 9, 2020		
FINANCIAL INSTITUTION Farmers & Mechanics Bank			PRODUCTS REVIEWED HMDA-reportable loans Small business loans, statistical sample Community development loans, investments, donations, and services
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Galesburg, Illinois Nonmetropolitan Area	Full scope	None	N/A
Peoria, IL MSA #37900	Full scope	None	N/A

APPENDIX E – Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.⁵

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

⁵ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and 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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;

- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment, and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).