



PUBLIC DISCLOSURE

June 18, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

F&M Community Bank, National Association
Charter Number 24356

100 St. Anthony Street North
Preston, MN 55965-0000

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street, Suite #800
Minneapolis, MN 55402-3393

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

OVERALL CRA RATING	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	10
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	11
LENDING TEST	11
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1

Overall CRA Rating

The Lending Test is rated: Outstanding.

The primary factors supporting F&M Community Bank's (F&M) rating include:

- The overall geographic distribution of loans reflects excellent dispersion throughout AA geographies of different income levels;
- The distribution of loans reflects reasonable penetration among borrowers of different income levels;
- A substantial majority of loans were originated inside the AA; and
- The loan-to-deposit (LTD) ratio is reasonable based on the institution's size, financial condition, and assessment area (AA) credit needs.

Definitions and Common Abbreviations

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

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

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

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

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

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

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

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

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC)

annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

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

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

Description of Institution

F&M is a \$125 million single-state national bank headquartered in Preston, MN in Fillmore County. F&M also has branches in Chatfield, MN and Rochester, MN in Olmsted County. Each branch has an onsite ATM that is available 24/7 for customers. The bank is also part of the Shazam ATM network, which has numerous ATM locations in the area. None of the ATMs accept deposits.

The bank offers a variety of traditional, non-complex deposit and loan products and services. Agricultural lending continues to be the bank's primary focus. As of December 31, 2017, the bank's outstanding loan portfolio totaled \$94 million. The loan portfolio by dollar volume is comprised of 40 percent agricultural loans, 39 percent business loans, 18 percent home mortgage loans, and 3 percent consumer loans. Total loans and leases are 77 percent of average assets, and tier 1 capital is \$14 million.

The bank is 100 percent owned by F&M Financial Services, Inc., a single bank holding company located in Preston, MN. The Root River Insurance Agency, Inc. is the only affiliate of the bank. F&M does not have any subsidiaries. Since the last CRA examination, the bank opened one branch in Rochester in September 2015. No merger or acquisition activities affected the bank during the evaluation period.

Competition within the AA is strong. Twenty-seven financial institutions operate within the AA with Think Mutual Bank holding the largest share of deposits. Based on the June 30, 2017 FDIC Deposit Market Share Report, F&M ranks tenth in deposit market share with 2.21 percent of deposits. F&M has one AA, which includes Fillmore County, Olmsted County, and one CT in the western portion of Winona County. The bank's AA is within the Rochester MSA. The bank's AA reasonably excludes the majority of the Winona County census tracts as the bank does not have a presence in the area. Additionally, the area would otherwise be too large for the bank to reasonably serve.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. The bank received an "Outstanding" rating at the prior CRA examination dated January 17, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

F&M was evaluated under the CRA small bank procedures, which is limited to the lending test. The lending test evaluated the bank's record of meeting the credit needs of its AA through its lending activities during the evaluation period. The evaluation period for the LTD analysis and complaint review portions of the lending test covered January 17, 2012 to June 18, 2018. The evaluation period for the remaining portions of the lending test covered January 1, 2015 to December 31, 2017.

The lending test focused on the bank's primary loan products based on loan origination volume during 2015, 2016, and 2017. Agricultural loan originations totaled 38 percent of all originations by dollar in 2015-2016 and 39 percent by dollar in 2017. Business loan originations totaled 29 percent of all originations by dollar in 2015-2016 and 35 percent by dollar in 2017. We analyzed 2015-2016 loans separately from 2017 loans given changes in AA demographic data.

Demographic data is used in part to determine the bank's lending performance. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS) effective January 1, 2017. The updated demographic data also caused five CTs in the bank's AA to change from middle-income to moderate-income and two CTs to change from moderate-income to middle-income in 2017.

Data Integrity

To evaluate F&M's lending performance, we selected a random sample of 80 primary product loans. The sample included 20 agricultural loans and 20 business loans from 2015-2016 and 20 agricultural loans and 20 business loans from 2017. We used information from the bank's loan files to complete our review.

Selection of Areas for Full-Scope Review

F&M has one AA, which is referred to as the Rochester AA throughout this report. The Rochester AA received a full-scope review. Refer to Appendix A for an outline of the examination scope and Appendix B for a full description of the AA and the community profile.

Ratings

F&M's overall rating is based on the lending performance within the Rochester AA. The bank's lending performance was evaluated on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes, geographic distribution of loans, and responses to CRA related complaints. Business loans and agricultural loans were given equal weight in the analysis.

Discriminatory or Other Illegal Credit Practices Review

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

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

Conclusions with Respect to Performance Tests

LENDING TEST

F&M's performance under the lending test is rated outstanding. The bank's lending activity reflects exceptional responsiveness to AA credit needs for business loans and agricultural loans. F&M's lending performance was evaluated on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes; geographic distribution of loans; and responses to CRA-related complaints.

Loan-to-Deposit Ratio

F&M's net LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. The bank's LTD ratio averaged 87.81 percent over 25 quarters since the prior CRA examination. The bank's quarterly LTD ratio ranged from a low of 79.21 percent in March 2012 to a high of 94.74 percent in March 2017. F&M ranked third among four similarly situated banks. Similarly situated banks are defined as banks with total assets between \$87 million to \$194 million, as of March 31, 2018, and a location in either Fillmore or Olmsted County. The average net LTD ratios for these banks during the same time period ranged from an average of 86 percent to 106 percent.

Loan-to-Deposit Ratios for Similarly Situated Banks		
Bank	Total Assets (in thousands, as of 3/31/18)	Average LTD (1Q12-1Q18)
First Southeast Bank	\$103,440	106.19%
Olmsted National Bank (ONB)	\$87,119	89.30%
F&M Community Bank	\$121,842	87.81%
Premier Bank Rochester	\$193,645	85.82%

Source: Call Report Data.

Lending in Assessment Area

F&M originates a substantial majority of its loans inside its AA. We analyzed 40 business loans and 40 agricultural loans originated between January 1, 2015 and December 31, 2017. F&M originated 99 percent of loans by dollar and 95 percent by number within its AA. The following table shows the lending by product type inside and outside the AA.

Lending in Rochester AA 2015-2017										
Loan Type	Number of Loans					Dollars of Loans (<i>in thousands</i>)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	39	97.5%	1	2.5%	40	\$6,714	99.8%	\$15	0.2%	\$6,729
Business	37	92.5%	3	7.5%	40	\$9,527	98.9%	\$103	1.1%	\$9,630
Totals	76	95.0%	4	5.0%	80	\$16,241	99.3%	\$118	0.7%	\$16,359

Source: Loan sample.

Lending to Borrowers of Different Incomes and Different Sizes

F&M’s overall distribution of loans to business and farms of different income levels reflects reasonable penetration during the evaluation period.

Business Loans

The borrower distribution of business loans during the evaluation period reflects reasonable penetration among businesses of different income levels.

In 2015 and 2016, the bank originated 85 percent by number and 69 percent by dollar of business loans to small businesses. This is considered reasonable as it is near the demographic data showing 81 percent of businesses in the AA are considered small businesses. We put more weight on the bank’s lending by number of loans, as this is more indicative of the bank’s performance. Our sample of 20 business loans included a \$1.5 million loan to a large business. This large loan represented 29 percent of the total sample and skewed the results of the bank’s performance by dollar. The table below shows the bank’s performance lending to borrowers of different income levels compared to the percentage of businesses in each income level.

Borrower Distribution of Loans to Businesses in Rochester AA 2015-2016				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	81.3%	5.2%	13.5%	100.0%
% of Bank Loans in AA by #	85.0%	15.0%	0.0%	100.0%
% of Bank Loans in AA by \$	69.4%	30.6%	0.0%	100.0%

Source: Loan sample; Dun and Bradstreet data.

In 2017, the bank originated 80 percent by number and 56 percent by dollar of business loans to small businesses. The bank’s performance by number is reasonable since it is near the demographic comparator, which indicates 82 percent of businesses in the AA are small businesses. We put more weight on the bank’s lending by number of loans, as this is more indicative of the bank’s performance. Our sample of 20 business loans included a \$1.5 million loan to a large business. This loan represented 25 percent of the total sample and skewed the results of the bank’s performance by dollar. The following table shows the bank’s performance lending to borrowers of different income levels compared to the percentage of businesses in each income level.

Borrower Distribution of Loans to Businesses in Rochester AA 2017				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	81.8%	5.9%	12.3%	100.0%
% of Bank Loans in AA by #	80.0%	20.0%	0.0%	100.0%
% of Bank Loans in AA by \$	56.0%	44.0%	0.0%	100.0%

Source: Loan sample; Dun and Bradstreet data.

Agricultural Loans

The borrower distribution of agricultural loans during the evaluation period reflects reasonable penetration among farms of different income levels. In 2015 and 2016, the bank originated 95

percent by number and 73 percent by dollar of agricultural loans to small farms. This is considered reasonable as it is near the demographic data showing 99 percent of farms in the AA are considered small farms. We placed more weight on the bank's lending by number of loans, as this is more indicative of the bank's performance. Our sample of 20 agricultural loans included a \$1.2 million loan to a large farm. This large loan represented 27 percent of the total sample and skewed the results of the bank's performance by dollar. The table below shows the bank's performance lending to borrowers of different income levels compared to the percentage of farms in each income level.

Borrower Distribution of Loans to Farms in Rochester AA 2015-2016				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	98.5%	1.0%	0.6%	100.0%
% of Bank Loans in AA by #	95.0%	5.0%	0.0%	100.0%
% of Bank Loans in AA by \$	72.6%	27.4%	0.0%	100.0%

Source: Loan sample; Dun and Bradstreet data.

In 2017, the bank originated 100 percent of agricultural loans to small farms. The bank's lending performance is considered excellent and is above the demographic data, which indicates 98 percent of farms in the AA are considered small farms. The following table shows the bank's performance lending to borrowers of different income levels compared to the percentage of farms in each income level.

Borrower Distribution of Loans to Farms in Rochester AA 2017				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	98.2%	1.1%	0.8%	100.0%
% of Bank Loans in AA by #	100.0%	0.0%	0.0%	100.0%
% of Bank Loans in AA by \$	100.0%	0.0%	0.0%	100.0%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

F&M's overall distribution of loans during the evaluation period reflects excellent dispersion across geographies of different income levels.

Business Loans

F&M's geographic distribution of business loans is excellent. In 2015-2016, the bank originated 45 percent of business loans to businesses located in a moderate-income CT. This exceeds the demographic data that indicates 17 percent of businesses are located in a moderate-income CT.

In 2017, the bank originated 35 percent of business loans to businesses located in a moderate-income CT, which exceeds the demographic data that indicates 27 percent of businesses are located in a moderate-income CT. The table below shows the bank's performance compared to the percentage of businesses located in each CT income level.

Geographic Distribution of Business Loans								
Year(s)	Census Tract Income Levels							
	Low		Moderate		Middle		Upper	
	% of AA Businesses or Farms	% of Loans by #	% of AA Businesses or Farms	% of Loans by #	% of AA Businesses or Farms	% of Loans by #	% of AA Businesses or Farms	% of Loans by #
2015-2016	0.0%	0.0%	16.5%	45.0%	57.9%	45.0%	25.6%	10.0%
2017	0.0%	0.0%	26.6%	35.0%	43.3%	40.0%	30.2%	25.0%

Source: Loan sample; Dun and Bradstreet data.

Agricultural Loans

F&M's geographic distribution of agricultural loans is excellent. In 2015-2016, the bank originated 70 percent of agricultural loans to farms located in a moderate-income CT. The bank's performance significantly exceeds the demographic comparator of 28 percent of farms in a moderate-income CT.

In 2017, the bank originated 50 percent of agricultural loans to farms located in a moderate-income CT, which exceeds the demographic data that indicates 29 percent of businesses are located in a moderate-income CT. The table below shows the bank's performance compared to the percentage of farms located in each CT income level.

Geographic Distribution of Agricultural Loans								
Year(s)	Census Tract Income Levels							
	Low		Moderate		Middle		Upper	
	% of AA Businesses or Farms	% of Loans by #	% of AA Businesses or Farms	% of Loans by #	% of AA Businesses or Farms	% of Loans by #	% of AA Businesses or Farms	% of Loans by #
2015-2016	0.0%	0.0%	27.6%	70.0%	52.1%	20.4%	20.3%	0.0%
2017	0.0%	0.0%	28.9%	50.0%	51.7%	50.0%	19.4%	0.0%

Source: Loan sample; Dun and Bradstreet data.

Responses to Complaints

There have been no consumer complaints pertaining to F&M's CRA performance during this evaluation period.

Community Development Activity

F&M was evaluated under small bank procedures, which does not include the Community Development Test; however, F&M made community development (CD) donations and services during the evaluation period.

Donations

F&M made 75 CD donations during the evaluation period totaling approximately \$105 thousand, which represents 0.73 percent of total capital as of March 31, 2018. These donations were made to organizations that have community development purpose and primarily serve low- and moderate-income individuals within the AA. These donations helped meet the credit needs of the community, including supporting small businesses through donations to organizations such as the Chatfield Economic Development Authority and Southern Minnesota Initiative Foundation.

Services

During the evaluation period, one F&M employee provided CD services by serving on a finance committee of Channel One Food Shelf. The organization has a community development purpose and primarily serves low- and moderate-income individuals within the AA. The employee volunteered 60 hours towards this organization during the evaluation period.

Loans & Investments

F&M did not make any CD loans or investments during our evaluation period.

Appendix A: Scope of Examination

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

Time Period Reviewed	Evaluation Period: 1/17/2012 to 6/18/2018 Lending Test: 1/1/2015 to 12/31/2017	
Financial Institution	Products Reviewed	
F&M Community Bank, National Association (F&M) Preston, Minnesota	Business loans, Agricultural loans	
List of Assessment Areas and Type of Examination		
Affiliate(s)		Affiliate Relationship
<i>Root River Insurance Agency, Inc. – We did not review any affiliate activity or products.</i>		N/A
Assessment Area	Type of Exam	Other Information
Rochester AA	Full Scope	The AA includes all of the CTs from Fillmore and Olmsted County. These CTs are part of the Rochester, MN MSA #40340. The AA also includes one census tract within Winona County, which is not part of the Rochester MSA. Given that this CT is not substantially beyond the MSA border, we elected to include it within our analysis of the Rochester MSA. We used demographic data from the Rochester MSA for our analyses.

Appendix B: Community Profiles for Full-Scope Areas

Rochester AA 2015-2016

Demographic Information for Full-Scope Area: Rochester AA 2015-2016*					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (CTs)	40	0.00%	19.99%	60.03%	19.99%
Population by Geography	170,130	0.00%	16.89%	58.07%	24.94%
Owner-Occupied Units by Geography	70,555	0.00%	15.43%	58.34%	26.24%
Occupied Rental Units by Geography	50,015	0.00%	15.61%	57.84%	26.55%
Vacant Units by Geography	15,012	0.00%	26.07%	60.95%	12.98%
Businesses by Geography	5,003	0.00%	25.37%	55.10%	19.42%
Farms by Geography	10,043	0.00%	16.53%	57.98%	25.49%
Family Distribution by Income Level	2,147	18.14%	21.32%	35.09%	33.19%
Household Distribution by Income Level	44,629	17.15%	18.36%	23.31%	41.18%
Median Family Income (MSA)	\$74,450	Median Housing Value		\$179,123	
Average 2017 Unemployment Rate**	3.5%	Families Below Poverty Level		5.7%	

*Demographic data reflects both the MSA CTs and the single Non-MSA CT

**The average unemployment rate is based on Fillmore County's rates of 4% for 2016 and 4.1% for 2015, Olmsted County's rates of 3.0% for 2016 and 2.9% for 2015, and Winona County's rates of 3.5% for 2016 and 3.3% for 2015.

Source: 2010 American Community Survey (ACS Census), 2015-2016 Dun and Bradstreet data, and US Bureau of Labor Statistics 2015-2016 unemployment data

Rochester AA 2017

Demographic Information for Full-Scope Area: Rochester AA 2017*					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (CTs)	40	0.00%	26.83%	46.34%	26.83%
Population by Geography	174,663	0.00%	25.24%	42.33%	32.43%
Owner-Occupied Units by Geography	50,643	0.00%	21.06%	43.16%	35.78%
Occupied Rental Units by Geography	17,442	0.00%	42.04%	40.85%	17.11%
Vacant Units by Geography	4,938	0.00%	36.09%	42.75%	21.16%
Businesses by Geography	10,400	0.00%	25.85%	44.90%	29.25%
Farms by Geography	959	0.00%	27.72%	53.66%	18.62%
Family Distribution by Income Level	45,449	18.54%	17.70%	23.44%	40.33%
Household Distribution by Income Level	68,085	23.17%	15.79%	18.66%	42.38%
Median Family Income (MSA)	\$81,036	Median Housing Value		\$180,801	
Average 2017 Unemployment Rate**	3.1%	Families Below Poverty Level		5.7%	

*Demographic data reflects both the MSA CTs and the single Non-MSA CT

**The average unemployment rate is based on Fillmore County's rate of 3.5%, Olmsted County's rate of 2.7%, and Winona County's rate of 3.1%.

Source: 2015 American Community Survey (ACS Census), 2017 Dun and Bradstreet data, and US Bureau of Labor Statistics 2017 unemployment data.

F&M is a \$122 million single-state national bank headquartered in Preston, MN. F&M also has branches in Chatfield, MN and Rochester, MN. The three full-service branches offer traditional banking products and services to individuals and businesses as well as ATMs and drive-up windows.

F&M's AA includes all of the census tracts (CTs) from Fillmore and Olmsted County, which are part of the Rochester, MN MSA #40340. The AA also includes one census tract within Winona County. The bank's AA reasonably excludes the majority of the Winona census tracts as the bank does not have a presence in these areas. Additionally, the area would otherwise be too large for the bank to reasonably serve. Winona County is not part of the Rochester MSA; however, given that this CT is not substantially beyond the MSA border, we elected to include it within our analysis of the Rochester MSA. For demographic comparators, we relied on information for the Rochester MSA.

The bank's stated AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies nor reflect illegal discrimination. During 2015 and 2016, eight census tracts were moderate-income, twenty-two were middle-income, and ten were upper-income. In 2017, several CTs were changes as a result of updated demographic data from the 2015 American Community Survey (i.e. the Census). We included separate tables for 2015-2016 and 2017 given the demographic data changes.

The AA economy is diverse and not heavily dependent on any one major industry. According to the 2015 ACS, the largest industry type is services at 31 percent, followed by construction at 18 percent and agriculture at 14 percent. The population in the bank's AA totaled roughly 174 thousand during the evaluation period. In 2015-2016, 16.9 percent of the population lived in moderate-income CTs while 58.1 percent lived in middle-income CTs and 25.0 percent lived in upper-income CTs. In 2017, 25.2 percent of population lived in the moderate-income CTs while 42.4 percent lived in middle-income CTs and 32.4 percent lived in upper-income CTs.

According to the U.S. Bureau of Labor Statistics, unemployment rates in Fillmore, Olmsted, and Winona County showed improvement during the evaluation period. In 2016, unemployment rate for the three counties averaged 3.5 percent and improved to 3.1 percent in 2017. The counties' average unemployment rates were slightly better than Minnesota's unemployment rates of 3.9 percent and 3.5 percent, respectively. The national unemployment rates in 2016 and 2017 were higher at 4.9 percent and 4.4 percent, respectively.

As part of this review, we contacted a member of the community to gain an understanding of the economic conditions of the area, credit needs in the area, and involvement of local financial institutions. The community contact indicated that the local economy is doing well overall. The area has seen a major increase in prospective development inquiries. The community contact indicated a need for business loans and that F&M has been an active partner in business development in the area for several years. The community contact stated that the banks in the local area have a strong presence and do a great job in meeting the needs of the community through donations to local charities as well as volunteer work. In particular, the community contact noted F&M as a great community asset.