

Community Reinvestment Act Public Notice

Under the federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The FDIC also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the FDIC, and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the FDIC publishes a nationwide list of the banks that are scheduled for CRA examination in that quarter. This list is available from the Regional Director, Division of Compliance and Consumer Affairs, FDIC. 1100 Walnut Street, Suite 2100, Kansas City, MO 64106. You may send written comment about our performance in helping to meet community credit needs to Farmers & Merchants State Bank, PO Box 10, Plankinton, SD 57368 and the FDIC Regional Director. You may also submit comments electronically through the FDIC's web site @

www.fdic.gov/regulations/cra

Your letter, together with any responses by us, will be considered by the FDIC in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our applications covered by the CRA files with the FDIC.

We are a subsidiary of the Page Holding Company, a bank holding company. You may request from the Federal Reserve Bank of Minneapolis at PO Box 291, Minneapolis, MN 55480 an announcement of applications covered by the CRA filed by bank holding companies.

Farmers & Merchants State Bank

Main Location:

101 S. Main St.
Plankinton, SD 57368
Aurora Co. CT 9736
(605)942-7781 (phone)
(605)942-7784 (fax)

Branch Location:

121 S. Main St.
White Lake, SD 57383
Aurora Co. CT 9736
(605)249-2221 (phone)
(605)942-2223 (fax)

Branch Open & Closed

The Farmers & Merchants State Bank has not opened or closed any branches during the current year and each of the prior two calendar years.

Hours of Operation

(Both locations offer the same hours)

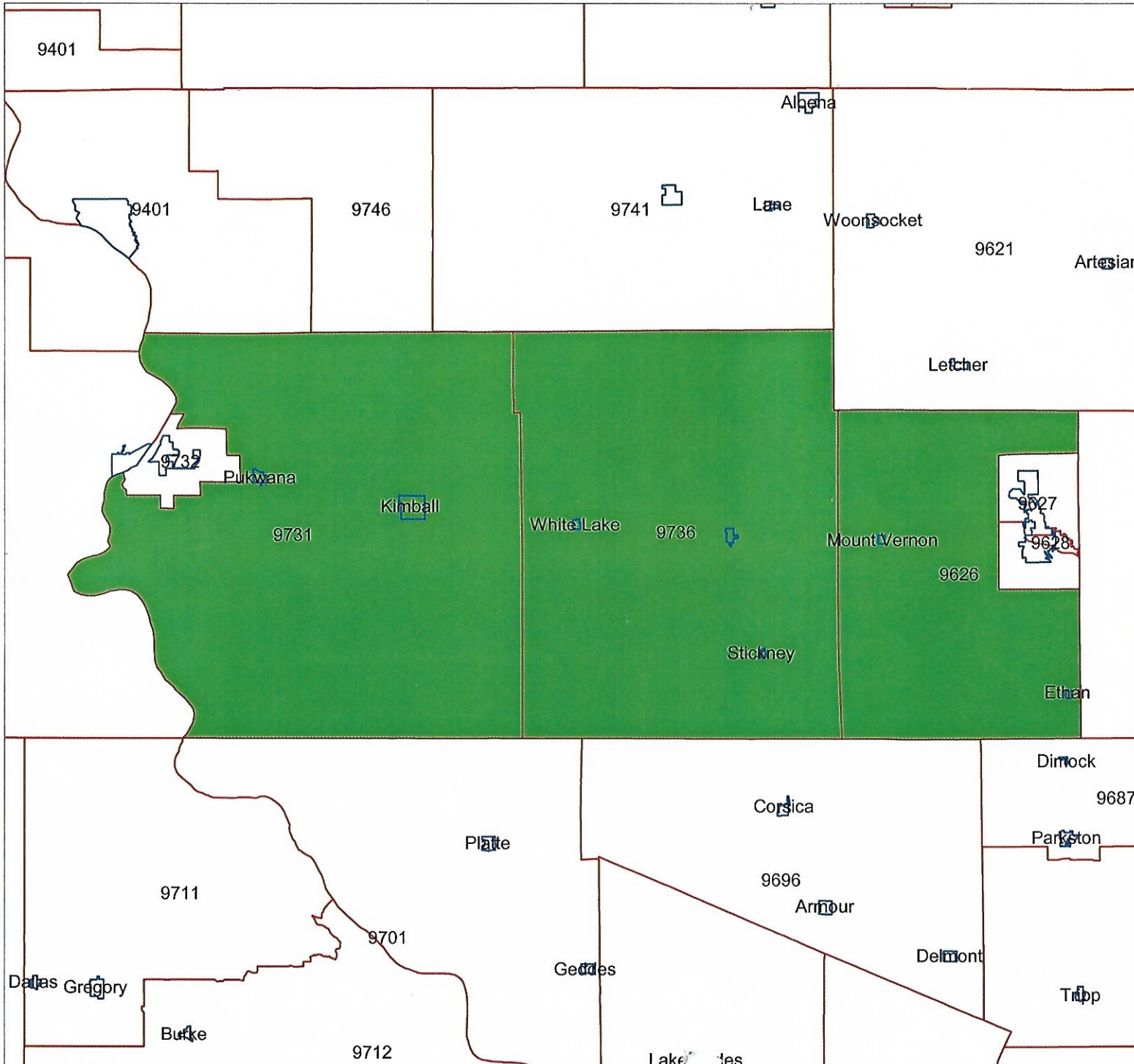
Lobby Hours:

Monday-Friday: 8:30am to 3:30pm

Saturday: 9:00am to 11:00am* Night Deposit Available at both locations*

Tract Income

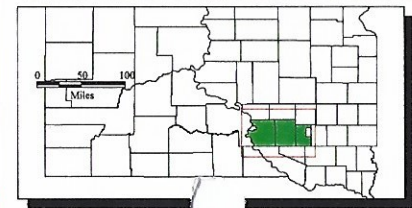
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- Military Installation
- Airport
- Golf Course
- Cemetery
- Hospital
- National Park, State Park or Landmark
- Indian Reservation
- School
- Church
- Prison

- County Boundaries
- MSA Boundaries
- Town Boundary
- Census Tract Boundary
- Zip Boundary
- Block Group Boundary

- Census Tract Income Level as a % of MSA Median**
- 0.01<50% (0)
 - 50%<80% (0)
 - 80%<120% (3)
 - >=120% (0)



F & M State Bank offers a broad spectrum of financial services
for home, business, education, and retirement!

*terms and conditions may apply

-please contact us for details and applicable rates

Checking Accounts

Regular Checking
NOW Checking

Business Checking

Savings Accounts

Regular Savings

MMDA Savings

Retirement Accounts

Traditional IRA
SEP IRA

Roth IRA
Coverdell ESA

Time Certificates

1-Year - minimum \$1,000
2-Year - minimum \$1,000
3-Year - minimum \$1,000
4-Year - minimum \$1,000

3-Month - minimum \$1,000
6-Month - minimum \$1,000
5-Year - minimum \$1,000

Loans

Agricultural Loans
Commercial Loans
Consumer Loans
Real Estate Loans
*Member FDIC
*Equal Housing Lender

F & M State Bank - NMLS ID # 1163247
Charlie Christensen - NMLS ID # 1164507
Scott Clites - NMLS ID # 1793377
Ed Fett - NMLS ID # 1164509
Brian Reis - NMLS ID # 1164516
Chase Kristensen - NMLS ID # 1785654

Debit Cards


MasterCard Debit Cards from F & M State Bank are available for use with your checking account. For added security, please use your personal identification (PIN) number whenever possible. We also recommend using the CardValet app - download in your app store!

Credit Cards


Visa Credit Cards from F & M State Bank are available with attractive rates. Register your card online to view transactions, pay online, and much more! Visit www.mycardstatement.com.

Safe Deposit Boxes

Our safe deposit boxes give you a safe and secure place to store all your valuables and important papers.

 **Notary Service**

Free notary service is available at both our locations.

 **Electronic Wires**

We offer wire services for electronically sending or receiving funds. Please call us today for wiring instructions. Fees apply for outgoing wires.

 **Electronic Statements**

F & M State Bank generates downloadable image statements for your accounts at the end of each month. Just one of the many benefits when you enroll in F & M State Bank Online Banking!

 **Electronic Payroll**

Employers - save check writing - let us do your payroll electronically! Payroll is automatically cleared immediately through your account for easy reconciliation. Fees apply - contact us for more information.

- Online Banking
 - View balances and account history, make internal transfers or loan payments, view statements
- Mobile Banking
 - View balances and account history, make internal transfers or loan payments
- Remote Deposit Capture (with in the app)
 - Upload pictures of checks for deposit into your checking or savings account (\$2500 limit)

IMPORTANT ACCOUNT INFORMATION FOR OUR CUSTOMERS

from

Farmers & Merchants State Bank
101 South Main Street
Plankinton, SD 57368
(605)942-7781

COMMON FEATURES

Limits and fees - The following fees may be assessed against your account and the following transaction limitations, if any, apply to your account:

Account research	\$50.00 per hour
Account balancing assistance	\$50.00 per hour
Automatic transfer between accounts held with us (Transfer Charge)	\$4.00
Cashier's checks	\$5.00
Check printing	Fee depends on style of check ordered
Collection fee	\$5.00 per item
Copy of previous statement	\$5.00
Cross-border transaction fee	.09%
Currency conversion fee	0.2%
Debit card cash advance limit	\$500.00 per day
Debit card purchase limit	\$1500.00 per day
Dormant Account Fee - after 365 days of inactivity	\$1.00 per month
Executions	\$50.00
Foreign wires	\$65.00 subject to change
Garnishments	\$50.00
Levies	\$50.00
Non-customer check cashing	\$10.00
Non-customer counting change	10%
Overdraft Fee	\$25.00
The categories of transactions for which an overdraft fee may be imposed are those by any of the following means: check, in-person withdrawal, or other electronic means excluding one time debit card transactions or ATM withdrawals.	
Overdraft Fee - CONTINUOUS OD	\$5.00
This fee starts the next business day after the overdraft and continues each business day until account is positive.	
Maximum Overdraft Charge Per Business Day	\$150.00
Non Sufficient Funds (NSF) Return Item Fee	\$25.00 per presentment
The categories of transactions for which a return fee may be imposed are those by any of the following means: check, in-person withdrawal, or other electronic means excluding one time debit card transactions or ATM withdrawals.	
No daily limit of fees	
Photo copies	\$.10 per item
Replace debit card	\$8.00
Safe deposit box rental	Varies on size
Safe deposit box-replacement key or drilling	Market rate

LIMITS AND FEES DISCLOSURE

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Stop payment for electronic fund transfers	\$20.00
Stop payment charge	\$20.00
Temporary checks	\$1.00/per check
Wire transfers-incoming (customers)	Free
Wire transfers-incoming (non-customers)	\$20.00
Wire transfers-outgoing (club members)	\$9.00
Wire transfers-outgoing (customers)	\$20.00
Wire transfers-outgoing (non-customers)	\$25.00

Loans to Assets

	Quarter End	Net Loans	Total Assets	Percent
1998	3/31/1998	27172	44914	60.50%
	6/30/1998	28816	45116	63.87%
	9/30/1998	30524	46253	65.99%
	12/31/1998	30510	48632	62.74%
1999	3/31/1999	29436	46608	63.16%
	6/30/1999	30517	46836	65.16%
	9/30/1999	30932	46577	66.41%
	12/31/1999	31308	48666	64.33%
2000	3/31/2000	28815	47704	60.40%
	6/30/2000	30757	47965	64.12%
	9/30/2000	33146	50136	66.11%
	12/31/2000	34450	51290	67.17%
2001	3/31/2001	32472	51152	63.48%
	6/30/2001	36087	52648	68.54%
	9/30/2001	36683	52927	69.31%
	12/31/2001	37787	53155	71.09%
2002	3/30/2002	35430	52211	67.86%
	6/30/2002	37365	52587	71.05%
	9/30/2002	38703	53418	72.45%
	12/31/2002	39732	53695	74.00%
2003	3/31/2003	38703	51258	75.51%
	6/30/2003	40061	52696	76.02%
	9/30/2003	40041	51386	77.92%
	12/31/2003	44058	55572	79.28%
2004	3/31/2004	43510	55466	78.44%
	6/30/2004	45958	56903	80.77%
	9/30/2004	45942	57124	80.43%
	12/31/2004	47545	57569	82.59%
2005	3/31/2005	45305	53998	83.90%
	6/30/2005	46701	56007	83.38%
	9/30/2005	48643	57317	84.87%
	12/31/2005	49830	58749	84.82%
2006	3/31/2006	49474	59856	82.66%
	6/30/2006	51335	59906	85.69%
	9/30/2006	51149	60092	85.12%
	12/31/2006	51341	63570	80.76%
2007	3/31/2007	50704	61475	82.48%
	6/30/2007	52228	61634	84.74%
	9/30/2007	50302	61561	81.71%
	12/31/2007	53280	64287	82.88%
2008	3/31/2008	52381	62836	83.36%
	6/30/2008	53049	65898	80.50%
	9/30/2008	53468	64635	82.72%

	12/31/2008	55973	67029	83.51%
2009	3/31/2009	58211	68068	85.52%
	6/30/2009	58867	69998	84.10%
	9/30/2009	58914	70141	83.99%
	12/31/2009	60440	71473	84.56%
2010	3/31/2010	58682	68657	85.47%
	6/30/2010	58444	69229	84.42%
	9/30/2010	60505	71148	85.04%
	12/31/2010	62988	71385	88.24%
2011	3/31/2011	62487	73657	84.84%
	6/30/2011	66125	76979	85.90%
	9/30/2011	67616	80396	84.10%
	12/31/2011	71088	84560	84.07%
2012	3/31/2012	67550	81200	83.19%
	6/30/2012	70634	82130	86.00%
	9/30/2012	70995	86310	82.26%
	12/31/2012	73902	86674	85.26%
2013	3/31/2013	70783	84797	83.47%
	6/30/2013	73623	84973	86.64%
	9/30/2013	80274	91557	87.68%
	12/31/2013	82048	92508	88.69%
2014	3/31/2014	75369	87664	85.97%
	6/30/2014	83331	92560	90.03%
	9/30/2014	86332	96851	89.14%
	12/31/2014	91292	101019	90.37%
2015	3/31/2015	85658	96056	89.18%
	6/30/2015	89216	98196	90.86%
	9/30/2015	93006	102749	90.52%
	12/31/2015	96508	107714	89.60%
2016	Quarter End	Total Loans	Total Assets	Percent
	3/31/2016	93521	101959	91.72%
	6/30/2016	94727	103909	91.16%
	9/30/2016	90817	105462	86.11%
12/31/2016	90359	102243	88.38%	
2017	3/31/2017	87586	98939	88.53%
	6/30/2017	88614	103330	85.76%
	9/30/2017	90335	107868	83.75%
	12/31/2017	91771	110178	83.29%
2018		Net Loans	Total Assets	Percent
	3/31/2018	88798	109104	81.39%
	6/30/2018	91853	110604	83.05%
	9/30/2018	94905	112666	84.24%
12/31/2018	95520	113844	83.90%	
2019		Net Loans	Total Assets	Percent
	3/31/2019	92614	113211	81.81%
	6/30/2019	94814	113899	83.24%

	9/30/2019	94273	113670	82.94%
	12/31/2019	97219	112972	86.06%
		Net Loans	Total Assets	Percent
2020	3/31/2020	95564	111681	85.57%
	6/30/2020	101211	117892	85.85%
	9/30/2020	103020	123187	83.63%
	12/31/2020	101418	119651	84.76%
2021	3/31/2021	99483	131276	75.78%
	6/30/2021	103039	135590	75.99%
	9/30/2021	95502	130207	73.35%
	12/31/2021	96338	136950	70.35%
2022	3/31/2022	91219	127633	71.47%
	6/30/2022	92176	133160	69.22%
	9/30/2022	96400	133703	72.10%
	12/31/2022	100297	135866	73.82%
2023	3/31/2023	97928	137915	71.01%
	6/30/2023	100299	137866	72.75%
	9/30/2023	101468	139036	72.98%
	12/31/2023	112597	141475	79.59%
2024	3/31/2024	107968	145070	74.42%
	6/30/2024	113553	152142	74.64%
	9/30/2024	114818	157934	72.70%
	12/31/2024	121705	160290	75.93%

LOANS TO DEPOSIT

		Net Loans	Deposits	%
2007	3/31/2007	49745	48338	102.91%
	6/30/2007	51320	48802	105.16%
	9/30/2007	49400	51516	95.89%
	12/31/2007	52357	49034	106.78%
2008	3/31/2008	51397	49128	104.62%
	6/30/2008	52067	51345	101.41%
	9/30/2008	52472	51053	102.78%
	12/31/2008	54740	50430	108.55%
2009	3/30/2009	57164	49114	116.39%
	6/30/2009	57881	53033	109.14%
	9/30/2009	57903	57374	100.92%
	12/31/2009	59564	58588	101.67%
2010	3/31/2010	57750	54971	105.06%
	6/30/2010	58111	56232	103.34%
	9/30/2010	59515	57856	102.87%
	12/31/2010	62087	61047	101.70%
2011	3/31/2011	61559	64080	96.07%
	6/30/2011	65274	67111	97.26%
	9/30/2011	66693	68198	97.79%
	12/31/2011	70135	68619	102.21%
2012	3/31/2012	67550	72452	93.23%
	6/30/2012	70634	73169	96.54%
	9/30/2012	70995	76978	92.23%
	12/31/2012	73902	74542	99.14%
2013	3/31/2013	70783	73004	96.96%
	6/30/2013	73623	75666	97.30%
	9/30/2013	80274	75388	106.48%
	12/31/2013	82048	79654	103.01%
2014	3/31/2014	75369	78061	96.55%
	6/30/2014	83331	78378	106.32%
	9/30/2014	86332	76658	112.62%
	12/31/2014	91292	81692	111.75%
2015	3/31/2015	85658	84129	101.82%
	6/30/2015	89216	83768	106.50%
	9/30/2015	93006	83761	111.04%
	12/31/2015	96508	92546	104.28%
2016		Total Loans	Deposits	%
	3/31/2016	93521	90354	103.51%
	6/30/2016	96138	93179	103.18%
	9/30/2016	90817	94399	96.21%

	12/31/2016	90359	91212	99.06%
2017	3/31/2017	87586	87773	99.79%
	6/30/2017	88614	88984	99.58%
	9/30/2017	90335	90522	99.79%
	12/31/2017	91771	98641	93.04%
		Net Loans	Total Deposits	Percent
2018	3/31/2018	88798	95752	92.74%
	6/30/2018	91853	93592	98.14%
	9/30/2018	94905	97995	96.85%
	12/31/2018	95520	101553	94.06%
		Net Loans	Total Deposits	Percent
2019	3/31/2019	92614	100700	91.97%
	6/30/2019	94814	100992	93.88%
	9/30/2019	94273	100167	94.12%
	12/31/2019	97219	99739	97.47%
		Net Loans	Total Deposits	Percent
2020	3/31/2020	95564	98290	97.23%
	6/30/2020	103010	104179	98.88%
	9/30/2020	103020	109011	94.50%
	12/31/2020	101418	105823	95.84%
2021	3/31/2021	99483	116971	85.05%
	6/30/2021	103039	102719	100.31%
	9/30/2021	95502	115455	82.72%
	12/31/2021	96338	122839	78.43%
2022	3/31/2021	91219	114484	79.68%
	6/30/2022	92176	120415	76.55%
	9/30/2022	96400	115360	83.56%
	12/31/2022	100297	120032	83.56%
2023	3/31/2023	97928	124962	78.37%
	6/30/2023	100299	124326	80.67%
	9/30/2023	101468	117935	86.04%
	12/31/2023	112597	126666	88.89%
2024	3/31/2024	107968	118226	91.32%
	6/30/2024	113553	121871	93.17%
	9/30/2024	114818	130228	88.17%
	12/31/2024	121705	138697	87.75%

PUBLIC DISCLOSURE

October 7, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers and Merchants State Bank
Certificate Number: 501

101 South Main Street
Plankinton, South Dakota 57368

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office
1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Farmers and Merchants State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices during the evaluation. The following points summarize the bank's performance.

- The average net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The institution made a majority of its small farm and small business loans in its assessment area.
- A geographic distribution analysis was not conducted as the bank's assessment area is comprised entirely of middle-income geographies. Therefore, an analysis would not result in meaningful conclusions.
- The distribution of borrowers reflects reasonable penetration of loans among farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 16, 2013, to the current evaluation dated October 7, 2019. Interagency Small Institution Examination Procedures were used to evaluate Farmers and Merchants State Bank’s CRA performance.

These procedures considered the institution’s performance according to the following Lending Test criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined that the bank’s major product line is agricultural loans, followed by commercial loans. This conclusion considered the institution’s business strategy and the number and dollar volume of loans originated during the evaluation period. Furthermore, this evaluation does not include any lending activity performed by affiliates.

Bank management indicated that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners analyzed all small farm and small business loans originated, renewed, or extended, including those paid off, between January 1, 2018, and December 31, 2018. During the review period, the bank originated, renewed, or extended 463 small farm loans totaling \$46,025,000 and 130 small business loans totaling \$7,597,000. These loans were considered representative of the bank’s lending during the entire evaluation period. Home mortgage loans were not evaluated as they are not a lending focus for the institution and only 36 home mortgage loans (3.4 percent by number and 2.6 percent by dollar volume) were originated, renewed, or extended in 2018.

For the Lending Test, the entire universe of small farm and small business loans was used to evaluate the Assessment Area Concentration criterion. Additionally, a sample of small farm and small business loans originated, renewed, or extended within the assessment area was reviewed to evaluate the Borrower Profile criterion. The analysis under the Borrower Profile criterion compares the distribution of farms and businesses by gross annual revenue level. The following table illustrates the loan products reviewed under this criterion.

Loan Products Reviewed for Borrower Profile				
Loan Category	Loans in the Assessment Area		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	374	33,571	58	5,805
Small Business	100	6,060	47	3,516

Source: 2018 Bank Data

D&B data for 2018 provided a standard of comparison for the bank's small farm and small business lending performance. The bank's record of originating small farm loans contributed more weight to overall conclusions as agricultural lending is the bank's primary lending focus.

While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served.

DESCRIPTION OF INSTITUTION

Background

Farmers and Merchants State Bank is wholly owned by Page Holding Company, Plankinton, South Dakota. The bank is affiliated by ownership with Page Bancshares, Inc., Liberty, Missouri, which owns Pony Express Bank, Braymer, Missouri. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated September 16, 2013, based on Interagency Small Institution Examination Procedures.

Operations

Farmers and Merchants State Bank operates its main office in Plankinton. The bank also operates one full-service branch office in White Lake, South Dakota. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Farmers and Merchants State Bank offers agricultural, commercial, and consumer-purpose loan products, primarily focusing on agricultural lending. The bank also participates in government-sponsored loan programs, including programs from the Farm Service Agency, South Dakota Department of Agriculture, South Dakota District 3 Rural Electric Economic Development Fund, and GROW South Dakota. These credit products and programs are consistent with the institution's size, financial capacity, and geographic location.

Farmers and Merchants State Bank provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services include internet banking and electronic statements.

Ability and Capacity

Farmers and Merchants State Bank's assets totaled approximately \$114 million as of June 30, 2019, and included net loans of \$95 million and total deposits of \$101 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of June 30, 2019		
Loan Category	\$(000s)	%
Construction and Land Development	364	0.4
Secured by Farmland	11,530	12.0
Secured by 1-4 Family Residential Properties	8,625	8.9
Secured by Multifamily (5 or more) Residential Properties	96	0.1
Secured by Nonfarm Nonresidential Properties	2,497	2.6
Total Real Estate Loans	23,112	24.0
Commercial and Industrial Loans	10,930	11.3
Agricultural Loans	56,082	58.2
Consumer Loans	4,834	5.0
Other Loans	1,447	1.5
Less: Unearned Income	0	0.0
Total Loans	96,405	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. Farmers and Merchants State Bank has designated a single assessment area in a nonmetropolitan portion of southeastern South Dakota.

Economic and Demographic Data

Farmers and Merchants State Bank's assessment area includes all of Aurora County and contiguous portions of Brule County (census tract 9731) and Davison County (census tract 9626) in southeastern South Dakota. The bank's assessment area is comprised of three middle-income census tracts according to 2015 American Community Survey (ACS) data. There was no change to the income designations from the 2010 U.S. Census. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	8,405	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,957	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,768	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	599	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	590	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	563	0.0	0.0	100.0	0.0	0.0
Farms by Geography	289	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,466	19.2	20.4	24.2	36.1	0.0
Household Distribution by Income Level	3,367	19.3	15.1	22.3	43.3	0.0
Median Family Income Nonmetropolitan SD	\$60,961	Median Housing Value				\$107,963
		Median Gross Rent				\$666
		Families Below Poverty Level				9.1%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The economy of the area is heavily dependent on agriculture, and the primary crops are corn and soybeans, with some wheat and sunflowers. Bank management stated the fields that were planted yielded unusually productive harvests, but commodity prices are low. However, large portions of the area were not planted due to severe flooding. Management noted that the severe weather, trade disputes, and low commodity prices have placed significant strain on the agricultural economy. Main street businesses continue to be occupied and housing is in short supply.

Agriculture, forestry, and fishing represent the largest portion of businesses in the assessment area at 33.9 percent; followed by services at 26.9 percent; and public administration at 8.5 percent. Major employers in the assessment area include Aurora Plains Academy and National Food Corporation. Data obtained from the U.S. Bureau of Labor and Statistics revealed that as of August 2019, the unemployment rates for Aurora, Brule, and Davison counties were 2.3 percent, 2.9 percent, and 2.6 percent, respectively. Comparable figures for the state of South Dakota and the U.S. were 2.9 and 3.3 percent, respectively. Unemployment rates were generally consistent throughout the evaluation period.

Competition

The assessment area is moderately competitive for financial services. According to June 30, 2019 Reports of Condition and Income data, there were 11 financial institutions operating 20 offices within the assessment area. Of these institutions, Farmers and Merchants State Bank ranked fifth in deposit market share at 9.5 percent. The community contact stated that there is healthy competition among banks in the area.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted an individual from an agricultural-related organization in the assessment area. The contact stated that the primary credit need is agriculture as agriculture and agricultural-related businesses are the major drivers of the economy. The contact stated that farming conditions in the assessment area has been difficult for the last couple of years. Spring calving has been impacted by late winter storms cutting into farmers' herds. Depressed cattle prices have impacted farm income for several years, and severe weather and flooding have left many fields unplanted. For the land that did get planted, farmers have been unable to harvest the fields because the soft ground will not support the weight of the equipment. Depressed commodity prices have further strained the agricultural sector. The size of farms in the area remains relatively stable. The contact noted that most farmers in the assessment area rely on off-farm employment for health insurance and another source of income.

The contact also noted that low unemployment rates have had a significant impact on businesses in the area. Businesses are unable to hire enough employees to support expansion plans or even to support daily operations. The contact noted that there are a limited number of homes and rental units available in the area as it is unfeasible to build due to high building costs. The contact also stated that the population in the assessment area is mixed with some younger people staying in the area to replace older farming operations. Overall, the community contact stated that local banks have been responsive to the credit needs of the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Farmers and Merchants State Bank demonstrated reasonable performance under the Lending Test. The bank's Loan-to-Deposit Ratio and Borrower Profile performance primarily supports this conclusion.

Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 100.4 percent over the past 24 calendar quarters from September 30, 2013, through June 30, 2019. The ratio ranged from a low of 91.3 percent as of December 31, 2017, to a high of 112.6 percent as of September 30, 2014. The ratio remained generally stable during the evaluation period. As shown in the following table, Farmers and Merchants State Bank maintained a ratio higher than those of comparable institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2019 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
Farmers and Merchants State Bank Plankinton, South Dakota	113,912	100.4
Security State Bank Alexandria, South Dakota	78,961	70.7
Farmers State Bank Parkston, South Dakota	214,466	58.4

Source: Reports of Condition 9/30/2013 through 6/30/2019

Assessment Area Concentration

As reflected in the following table, Farmers and Merchants State Bank originated a majority of small farm and small business loans, by number and dollar volume, within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	374	80.8	89	19.2	463	33,571	72.9	12,454	27.1	46,025
Small Business	100	76.9	30	23.1	130	6,060	79.8	1,537	20.2	7,597

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

Geographic Distribution

Farmers and Merchants State Bank's assessment area is comprised solely of middle-income census tracts; therefore, a geographic distribution analysis was not conducted as it would not result in meaningful conclusions.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Although the bank's small business performance is excellent, the bank's reasonable small farm performance is the driver for this conclusion. Examiners focused on the percentage, by number, of loans to farms and businesses with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes in the assessment area. As shown in the following table, the bank's performance of lending to farms with gross annual revenues of \$1 million or less is comparable to demographic data in the same revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤\$1,000,000	97.6	55	94.8	5,445	93.8
>\$1,000,000	1.7	3	5.2	360	6.2
Revenue Not Available	0.7	0	0.0	0	0.0
Total	100.0	58	100.0	5,805	100.0
<i>Source: Bank Data; 2018 D&B Data Due to rounding, totals may not equal 100.0</i>					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. The following table shows that 89.4 percent of small business loans were originated to businesses with gross annual revenues of \$1 million or less. This performance exceeds the demographic data in the same revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	75.3	42	89.4	2,099	59.7
>\$1,000,000	4.1	5	10.6	1,417	40.3
Revenue Not Available	20.6	0	0.0	0	0.0
Total	100.0	47	100.0	3,516	100.0
<i>Source: Bank Data; 2018 D&B Data Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution's CRA rating.

GLOSSARY

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 metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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 metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

Rated Area: A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Feb. 2019

No public comments in the last year.

Feb. 2020

No public comments in the last year.

Feb. 2021

No public comments in the last year.

Feb. 2022

No public comments in the last year.

Feb. 2023

No public comments in the last year.

Feb. 2024

No public comments in the last year.

Feb. 2025

No public comments in the last year.