PUBLIC DISCLOSURE

July 12, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Savings Bank
Certificate Number: 13025

305 Doty Street
Mineral Point, Wisconsin 53565

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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.

A summary of the major factors supporting the institution's rating follows:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The bank originated a majority of its small business, home mortgage, and small farm loans in the AA.
- The geographic distribution of small business, home mortgage, and small farm loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes, individuals of different income levels, and farms of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Farmers Savings Bank is a full-service community bank with its main office located in Mineral Point, Wisconsin, in Iowa County. The one-bank holding company, Southern Wisconsin Bancshares Corporation, headquartered in Inverness, Illinois, owns the bank. The bank does not have any affiliates or subsidiaries that offer lending products. Farmers Savings Bank received a "Satisfactory" rating at its previous FDIC Performance Evaluation, dated August 6, 2018, based on the Interagency Small Institution Examination Procedures.

In addition to its main office, Farmers Savings Bank operates five branch offices. Four of the branches are located in Iowa County, in Dodgeville, Edmund, Hollandale, and Ridgeway. One branch is located in Mount Horeb, in Dane County. Of the six banking locations, five are in middle-income census tracts (CTs), and one is in a moderate-income CT (Edmund). Farmers Savings Bank has not opened or closed any offices, and no merger or acquisition activities have occurred since the previous evaluation.

Farmers Savings Bank offers a variety of commercial, home mortgage, agriculture, and consumer loan products. Deposit account products include various checking, money market, savings, and certificates of deposit accounts. The bank has offered reasonable banking hours during the evaluation period. However, during the COVID-19 pandemic, management closed the lobby at all locations with the exception of Ridgeway. Since the Ridgeway location does not offer drive-through service, this location has continued to offer restricted lobby access during the pandemic.

The bank provides additional loan and account services, as well as expanded accessibility, through the following offerings: online banking, including bill pay and online home mortgage applications; mobile banking, including mobile payments and mobile deposits; 24-hour bank-by-phone; Zelle; debit cards; night depository at all locations; electronic statements; and, non-deposit investment and insurance products. Farmers Savings Bank also offers cash-dispensing automated teller machines (ATMs) at the Mineral Point, Dodgeville, Hollandale, and Mount Horeb office locations. Two additional ATMs are located at a convenience store in Ridgeway, and a medical center in Dodgeville.

Based upon the number and dollar volume of loan originations since the prior evaluation, as well as management's comments, commercial lending remains the bank's predominant business focus, with home mortgage lending a secondary focus. Additionally, although the bank engages in less agriculture lending activity by number and dollar volume, management still considers agriculture lending a strong emphasis for the bank. These lending emphases have not changed since the prior evaluation. The bank originates longer term, fixed-rate home mortgage loans through Freddie Mac, and retains the servicing. The bank also provides Small Business Administration (SBA) loans (under the traditional loan programs) in an effort to assist smaller businesses. The bank originated one such SBA loan in 2019 for almost $1.2 million.

In 2020 and 2021, to aid small businesses impacted by the pandemic, Farmers Savings Bank also originated SBA Paycheck Protection Program (PPP) loans, which are part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This program's intent is to help businesses negatively impacted by the COVID-19 pandemic retain workers and staff. Based on the program's guidelines, businesses can use the funding to pay for up to eight weeks of payroll costs, including benefits, or pay interest on mortgages, or pay rent and utilities. During 2020, Farmers Savings Bank originated 215 PPP loans totaling approximately $14.1 million. In 2021, the bank originated 457 PPP loans totaling approximately $9.3 million. The PPP loans were included in the lending test analyses, and included in the data for the applicable years presented.

Additionally, Farmers Savings Bank works with Southwestern Wisconsin Community Action Program (SWCAP) to provide financing that has community development purposes. SWCAP, in collaboration with others, works to mitigate causes and conditions of poverty in Southwestern Wisconsin. They provide various services, including, but not limited to: business development, community emergency services, head start programs, homeless assistance, housing programs, skills enhancements, and food pantry services. Since the prior evaluation, Farmers Savings Bank has originated three SWCAP loans totaling approximately $441,499.

According to the March 31, 2021 Call Report, the bank had $405.9 million in total assets, $200.8 million in total loans, $168.9 million in total securities, and $363.1 million in total deposits. Although assets grew approximately 39.4 percent since the prior evaluation, the growth occurred gradually over the three years. Total loans increased approximately 14.5 percent. Some significant loan product increases occurred as a percent of individual loan categories, but the overall composition of the portfolio remained relatively stable. For instance, although "other" commercial real estate loans grew 282.6 percent, as a percent of the total portfolio they grew only 10.1 percent. The substantial increase in "other" commercial real estate loans results primarily from the PPP loan activity. Additionally, significant changes in loan activity occurred as follows (as a percent of loan category): commercial and industrial loans increased 81.5 percent, residential real estate loans increased 38.1 percent, and agriculture loans decreased 41.9 percent. The decrease in agriculture lending is primarily due to area competition, especially with the area's Farm Service Agency. The following table details the bank's loan composition as of the March 31, 2021 Call Report.

Loan Portfolio Distribution as of 3/31/2021		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	5,412	2.7
Secured by Farmland	22,620	11.3
Secured by 1-4 Family Residential Properties	48,290	24.1
Secured by Multifamily (5 or more) Residential Properties	1,029	0.5
Secured by Nonfarm Nonresidential Properties	50,298	25.1
Total Real Estate Loans	**127,649**	**63.6**
Commercial and Industrial Loans	32,341	16.1
Agricultural Production and Other Loans to Farmers	3,882	1.9
Consumer Loans	18,505	9.2
Obligations of State and Political Subdivisions in the U.S.	18,157	9.0
Other Loans	4	0.0
Lease Financing Receivable (net of unearned income)	382	0.2
Less: Unearned Income	(146)	(0.0)
Total Loans	**200,774**	**100.0**
Source: Reports of Condition and Income; Due to rounding, totals may not equal 100.0%		

The above dollar volume of loans supports the bank's primary business emphasis of commercial lending, as this loan type represents 41.4 percent of the portfolio (includes commercial and industrial, commercial real estate, and related construction/land development loans). Residential lending is secondary at 27.0 percent of the portfolio (includes related construction and multi-family loans). Agriculture lending is the third emphasis at 13.2 percent of the portfolio.

The bank originates secondary market loans, sold to Freddie Mac. These loans are not generally included in the above figures (depending on the timing of the sales). Farmers Savings Bank originated approximately 550 secondary market loans totaling $108.6 million since the prior evaluation. Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. Farmers Savings Bank has designated one AA, which includes all six CTs in Iowa County, and CTs 127 and 128 on the western edge of Dane County. The AA has not changed since the prior evaluation. Iowa and Dane Counties are part of the Madison, Wisconsin Metropolitan Statistical Area (MSA). The AA meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies. Sources for the data used in this section include: FFIEC; 2015 American Community Survey (ACS); 2010 U.S. Census; 2019 and 2020 D&B data; U.S. Bureau of Labor Statistics; Wisconsin Department of Workforce Development

(Wisconsin DWD); Wisconsin Realtors Association (WRA); United States Department of Agriculture (USDA); Census of Agriculture; and other readily available public information.

Economic and Demographic Data

See the following table for demographic data specific to the AA.

Demographic Information of the Assessment Area Assessment Area: Farmers Savings Bank AA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	8	0.0	25.0	75.0	0.0	0.0
Population by Geography	35,745	0.0	17.6	82.4	0.0	0.0
Housing Units by Geography	15,660	0.0	18.8	81.2	0.0	0.0
Owner-Occupied Units by Geography	10,813	0.0	18.9	81.1	0.0	0.0
Occupied Rental Units by Geography	3,580	0.0	15.2	84.8	0.0	0.0
Vacant Units by Geography	1,267	0.0	28.4	71.6	0.0	0.0
Businesses by Geography	2,484	0.0	13.7	86.3	0.0	0.0
Farms by Geography	386	0.0	25.4	74.6	0.0	0.0
Family Distribution by Income Level	9,718	21.6	20.4	24.4	33.5	0.0
Household Distribution by Income Level	14,393	22.9	18.5	19.7	38.9	0.0
Median Family Income MSA - 31540 Madison, WI MSA		$81,321	Median Housing Value			$196,258
			Median Gross Rent			$763
			Families Below Poverty Level			5.1%
Source: 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0% *(*) The NA category consists of geographies that have not been assigned an income classification.*						

Of the AA's eight CTs, six are middle-income and two are moderate-income. There are no low- or upper-income CTs in the AA. There are also no designated distressed or underserved areas within this AA.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of business loans by gross annual revenue (GAR) levels. According to the most current (2020) D&B data, there were 2,484 reporting non-farm businesses in the AA. GARs for these businesses are:

- 83.7 percent have $1 million or less;
- 4.3 percent have more than $1 million; and
- 12.0 percent have unknown revenues.

Of the above businesses, 72.3 percent have four or fewer employees, and 90.6 percent have fewer than 10 employees. This data further demonstrates that a large percentage of AA businesses are smaller businesses.

Data obtained from the U.S. Bureau of Labor Statistics reflects that Iowa and Dane Counties had year-end 2020 unemployment rates of 3.5 percent and 3.0 percent, respectively. These compare favorably to the state and national unemployment rates of 4.0 percent and 6.7 percent, respectively.

Since the prior evaluation, the AA unemployment trend was relatively stable. However, the onset of the 2020 COVID-19 Pandemic resulted in a turbulent year for unemployment, initially causing a significant increase in unemployment rates for the AA that mirrored the impact across the state and nation. The highest Iowa and Dane County unemployment increase during the evaluation period occurred in April 2020, when it reached 17.5 percent and 11.2 percent, respectively. The state and national unemployment rates as of that same time were both 14.8 percent. The pandemic crisis, causing forced business closures or significantly reduced/altered services and high unemployment rates, has resulted in the need for more flexible financing and loan servicing programs. Since the April 2020 spike, the AA county unemployment rates have steadily decreased to pre-COVID levels.

Based on 2020 D&B data, the largest AA industry sectors by number of entities are as follows: services (35.1 percent); agriculture, forestry and fishing (13.5 percent); and, retail trade (11.4 percent). Large employers in the AA include Vortex, Lands' End, Cummins Emissions Solutions, Inc., hospitals and clinics, school districts, and county/local governments. The 2019 Wisconsin DWD County Profile Report reflects Iowa County's three most dominant business sectors as: (1) trade, transportation and utilities; (2) education and health services; and, (3) manufacturing. The 2019 Wisconsin DWD County Profile Report reflects Dane County's three most dominant business sectors as: (1) education and health services; (2) professional and business services; and, (3) trade, transportation, and utilities.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The table below presents the AA income categories for the evaluation years presented in this report.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Madison, WI MSA Median Family Income (31540)				
2019 ($94,200)	<$47,100	$47,100 to <$75,360	$75,360 to <$113,040	≥$113,040
2020 ($96,600)	<$48,300	$48,300 to <$77,280	$77,280 to <$115,920	≥$115,920
Source: FFIEC				

Of the total AA housing units, 69.0 percent are owner-occupied, 22.9 percent are occupied rental units, and 8.1 percent are vacant. According to the 2015 ACS data, for the housing units in the AA, 17.9 percent had monthly owner costs exceeding 30.0 percent of income, and 8.5 percent had monthly renter costs exceeding 30.0 percent of income. This is a reflection of housing costs and affordability within the AA. Additional information providing insight into the AA's housing availability, potential credit needs, as well as potential affordability to low- and moderate-income borrowers is the sales and median home prices provided by the WRA (see below table).

Assessment Area Housing Sales and Median Prices – By County				
Year End	**Iowa County**		**Dane County**	
	Home Sales	**Median Sales Price**	**Home Sales**	**Median Sales Price**
2019	19	$159,000	596	$290,000
2020	31	$219,000	705	$320,000
Source: Wisconsin Realtors Association				

As the demographic table on page 4 shows, the overall AA median housing value is $196,258. Given the median housing value of the AA, a low-income borrower, particularly those 5.1 percent below the poverty level, would face challenges at homeownerships via traditional mortgage lending.

The analysis of small farm loans under the Borrower Profile criterion compares the distribution of farm loans by GAR levels. According to the most current (2020) D&B data, there were 386 reporting farms in the AA. GARs for these farms are:

- 97.9 percent have $1 million or less;
- 1.8 percent have more than $1 million; and
- 0.3 percent have unknown revenues.

The following table provides additional agriculture information that gives further insight into the potential AA farm credit opportunities and farm sizes.

Assessment Area Agriculture Data – By County		
Census data	**Iowa County**	**Dane County**
Number of Farms	1,576	2,566
Average Farm Size (acres of land)	229	197
Average Market Value of Land & Buildings	$1,111,469	$1,626,929
Market Value of Agriculture Product Sold	$131,149	$198,392
Source: 2017 USDA Census of Agriculture		

Competition

The AA has moderate competition in its market for financial services. As of June 30, 2020, the FDIC Deposit Market Share data reflects 38 financial institutions operating 165 offices within the AA full counties (Iowa and Dane). Farmers Savings Bank ranked 19th with a deposit market share of approximately 1.5 percent. However, the bank's AA only includes 2 CTs in Dane County, and therefore, the market share information is somewhat skewed as this data is only available on a full-county basis. For this reason, it is worth noting that for Iowa County, there are only seven financial institutions, with Farmers Savings Bank operating five of the 13 total banking offices located in that county. In Iowa County, Farmers Savings Bank ranked first with a deposit market share of 50.4 percent.

There is a strong level of competition for home mortgage loans among the various banks, credit unions, and non-depository mortgage lenders within and near the AA. Based on the reported Home Mortgage Disclosure Act (HMDA) loans, the 2019 Peer Mortgage Data shows that 161 financial institutions originated 1,958 mortgage loans in the AA. Farmers Savings Bank ranked second by number, with a market share of approximately 9.9 percent. The bank's average loan size was $152,000 compared to the $184,000 average loan size for the combined aggregate reporters.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analyses of small business loans do not include comparisons to small business aggregate data. The aggregate data, however, is an indicator of the level of demand and opportunities for small business loans in the AA, and it is therefore included here. The aggregate data only includes loans originated by reporting banks. Aggregate data for 2019 (the most recent year available) shows that 94 institutions reported 9,192 small business loans in the AA counties, indicating a moderate degree of competition for this product. Examiners note that this data does not reflect the influx of PPP lending activity for area banks, which occurred beginning in 2020.

Additionally, although the bank has one branch in Edmund, Wisconsin, which is in one of the two AA moderate-income CTs, Edmund has a population of only 173 people (2010 Census). It does not have a designated business district. Furthermore, is it within three miles of several communities (Cobb, Dodgeville, Highland, Livingston, and Mineral Point), all of which, plus others in the moderate-income CTs, have other financial institutions serving the area. Financial institutions in the AA middle-income geographies, including banks, credit unions, and the Farm Service Agency (in Dodgeville) increase credit competition for the Edmund area. Since Edmund, and other communities in the moderate-income CTs, do not have large employers, residents there typically commute to other communities for jobs. These commuters typically bank in the communities where their jobs are (as supported by the community contact comments, below).

Community Contact

As part of the evaluation process, examiners use information obtained from third parties active in the AA to assist in identifying the credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to these needs. Examiners obtained information from a government-planning agency that serves Iowa County.

The contact commented that the area economy was stable prior to the pandemic, with low unemployment rates and some business and economic growth. During the pandemic, the county's unemployment rate had dramatically and suddenly increased, which affected current businesses (closures, employee layoffs, and/or restricted services), and stagnated new business development. Since the spike in unemployment, the economy has returned to a more normal status. However, the contact mentioned that there is currently very little economic and residential development occurring in Iowa County. There are opportunities for business development in any of the several industrial parks throughout Iowa County, as well as room for residential development. However, the contact said that developers are not willing to develop in the rural areas, as they would in the more metropolitan areas, primarily due to costs, lack of qualified labor, and business/financing risks.

The contact said that small business start-ups struggle to obtain financing and flexible funding that would work for their needs. The contact mentioned that the area needs more small business start-up, capital funding, along with flexible financing with less paper work involved (which is a common deterrent). The contact further noted that labor shortages (lack of qualified labor force) are a hindrance for the county in attracting new business or for current business expansions.

The contact also stated that housing stock in the area is very limited, and that there is a need for more housing of all sizes and values in the county, especially for affordable housing. The contact commented that housing costs are high in the county, and people of low- or moderate-income status are typically not able to afford current higher-end housing stock or new construction.

The contact stressed that Iowa County is predominantly rural, and has a limited population overall (around 24,000 people). The area is home to a good number of farms, predominantly dairy. The contact stated that land values have increased significantly, and are around $10,000 per acre now. COVID had a detrimental impact on many farmers in the area, with meat packing plant closures, and commodity prices taking a dive. However, dairy and other commodities have rebounded. In addition, Iowa County farms are benefiting from a significant shift to leasing land for renewable energy efforts, giving rise to increased revenue streams for those participating. The contact mentioned that another noted trend is for retiring farmers to sell to neighboring farms, since the younger generation these days is less disposed to taking over the family farm. This has resulted in larger farms over the past few years.

Finally, the contact mentioned that the western half of Iowa County is more rural, predominantly farmland, and having very little business districts and employment opportunities in the smaller communities located there. For this reason, non-farm residents tend to commute to other communities inside and outside the county for employment, and for convenience, tend to conduct their banking business in the community where they work.

Credit Needs

Considering information from bank management, the community contact, as well as AA demographic and economic data, examiners determined that there are credit and community development needs for affordable housing and small businesses in the AA, including start-up business financing and more flexible loan programs. The median housing values for the area support the need for more affordable housing. Additionally, the significant percentages of businesses with GARs of $1 million or less and the large number of businesses with ten or fewer employees support the need for small business lending. The COVID-19 pandemic and related impacts to the area also support the need for more flexible business lending programs.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's performance from August 6, 2018, to July 12, 2021. These procedures consist of the CRA Small Institution Lending Test. The Appendix details the performance criteria for this test, while the Glossary provides for pertinent definitions.

This evaluation does not include any lending activity performed by affiliates, as the bank does not have any affiliates that are involved in any lending activities. For comparison purposes, and as applicable, examiners relied on 2015 ACS data, 2019 HMDA aggregate mortgage data (most recent available), 2019 and 2020 D&B demographic data, and similarly situated institutions (SSIs). The bank's CRA performance was also analyzed in relation to the bank's performance context, which includes (but is not limited to) bank size and structure, financial condition, loan mix, resources, limitations, AA demographics, economic factors, competition, loan demand, and available opportunities.

Activities Reviewed

Although examiners considered all lending activity occurring since the prior evaluation, examiners based Farmers Savings Bank's performance conclusions on a review of small business, home mortgage, and small farm loans originated from January 1, 2019 through December 31, 2020. These categories represent the most significant lending activities at the bank. Examiners used Call Report data, the number and dollar volume of related loan originations during the evaluation period, and lending focus in determining the weighting of the products. Based on these factors, examiners gave heaviest evaluation consideration to the small business lending, with home mortgage lending secondary and small farm lending third. No other loan types, such as consumer loans, represent a major product line. Therefore, they provide no material support for conclusions and are not included in the evaluation.

Using bank loan data, examiners reviewed a random sample of small business loans from those originated during the two-year period of January 1, 2019, through December 31, 2020. Given the influx of lending activity under the PPP program in 2020, resulting in a noted increase in overall business lending activity, this report presents both years' data and analyses to account for potential trends and anomalies in related lending. Management agreed that these two years of business lending activity are representative of the bank's business lending for the entire evaluation period. The data for 2020 does include the PPP loans captured in the random sample. Although the 2021 PPP lending is not broken out in the analyses (as that year was not analyzed), examiners considered all PPP loans (through the evaluation date).

Given that Farmers Savings Bank is a HMDA reporter, examiners reviewed and analyzed the total universe of 2019 and 2020 HMDA-reported, home mortgage originations for this evaluation. Management agreed that these two years of HMDA lending activity are representative of the bank's lending during the evaluation period. The home mortgage loans include all home purchase, home improvement, home refinance, and multifamily loans reported pursuant to the HMDA requirements. As both years' home mortgage performances are consistent for the Geographic Distribution analysis, this report presents only the 2019 data under that criterion (as that is the most recent year for which aggregate data is available for comparisons).

Using bank loan data and considering the level of lending, examiners reviewed all small farm loans originated during the two-year period of January 1, 2019, through December 31, 2020. Management agreed that these two years of lending activity are representative of the bank's farm lending for the entire evaluation period.

The following table reflects the universe of loans and selected sample for each product reviewed. The business samples represent a 90 percent confidence and 5 percent precision level.

Loan Products Reviewed				
Loan Category	**Universe**		**Sampled Assessment Area Loans**	
	#	**$(000s)**	**#**	**$(000s)**
Small Business 2019	94	$8,020	42	$3,055
Small Business 2020	276	$17,933	56	$5,178
HMDA 2019	221	$33,888	221	$33,888
HMDA 2020	480	$88,815	480	$88,815
Small Farm 2019	42	$3,377	42	$3,377
Small Farm 2020	30	$1,476	30	$1,476
Source: 2019 and 2020 HMDA; Bank Reports				

Examiners reviewed the number and dollar volume of small business, home mortgage and small farm loans. While this report presents both number and dollar volume of loans, examiners emphasized performance by number of originated loans, as this is generally a better indicator of the number of small businesses, individuals, and small farms served.

When determining the overall rating, examiners gave more weight to the Borrower Profile criterion than to the other criteria. The Borrower Profile criterion provides a better indicator of the category of borrower benefitting from the loans (such as smaller businesses, low- and moderate-income individuals, and smaller farms).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Farmers Savings Bank demonstrated reasonable performance under the Lending Test. The bank's performance under the following criteria supports the rating, with heavier evaluation consideration given to the small business loan category and the Borrower Profile criterion.

Loan-to-Deposit Ratio

Farmers Savings Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, AA credit needs, and area opportunities. The bank's LTD ratio, calculated from Call Report data, averaged 62.8 percent over the past 11 calendar quarters since the previous evaluation. This represents a slight decrease from the average LTD ratio at the prior evaluation (63.3 percent). During this evaluation period, the bank's ratio ranged from a high of 68.1 percent (as of September 30, 2018) to its current low of 54.5 percent (March 31, 2021). The bank's ratio has generally been on a steady, slow decline since the prior evaluation. However, Farmers Savings Bank maintained a ratio in line with that of SSIs, as shown in the following table. The bank's ratio is above one SSI's ratio, and below three other SSIs' ratios. Examiners selected SSIs based on their asset size, geographic location (predominantly rural areas), bank structure, lending focus, and based on input from management.

The recent stimulus deposits (due to COVID) have affected Farmers Savings Bank's current low ratio (54.5 percent as of March 31, 2021). However, examiners recognize that the stimulus deposits similarly affected SSIs' LTD ratios, causing lower-than-usual current LTD ratios given the sudden increase in deposits.

LTD Ratio Comparison		
Bank	**Total Assets as of 12/31/2020 ($000s)**	**Average Net LTD Ratio (%)**
Farmers Saving Bank	**178,261**	**62.8**
Similarly-Situated Institution #1*	314,568	83.7
Similarly-Situated Institution #2*	330,501	60.0
Similarly-Situated Institution #3	377,728	94.7
Similarly-Situated Institution #4	428,762	90.7
Similarly-Situated Institution #5*	517,342	81.9
Source: Reports of Condition and Income 9/30/2018 to 3/31/2021 **denotes bank-selected SSI's*		

Assessment Area Concentration

A majority of the reviewed loans are within the AA. Refer to the table below for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Small Business										
2019	30	71.4	12	28.6	42	2,051	67.1	1,004	32.9	3,055
*2020	48	85.7	8	14.3	56	4,235	81.8	943	18.2	5,178
Subtotal	**78**	**79.6**	**20**	**20.4**	**98**	**6,286**	**76.4**	**1,947**	**23.6**	**8,233**
Home Mortgage										
2019	157	71.0	64	29.0	221	23,024	67.9	10,864	32.1	33,888
2020	353	73.5	127	26.5	480	61,326	69.0	27,489	31.0	88,815
Subtotal	**510**	**72.8**	**191**	**27.2**	**701**	**84,350**	**68.7**	**38,353**	**31.3**	**122,703**
Small Farm										
2019	34	81.0	8	19.0	42	2,984	88.4	393	11.6	3,377
2020	25	83.3	5	16.7	30	1,428	96.7	48	3.3	1,476
Subtotal	**59**	**81.9**	**13**	**18.1**	**72**	**4,412**	**90.9**	**441**	**9.1**	**4,853**
Source: Bank Data; Due to rounding, totals may not equal 100.0% **2020 data includes PPP sampled loans.*										

Geographic Distribution

The geographic distribution of loans throughout the AA reflects reasonable dispersion among the CTs of various income levels, including the AA moderate-income geographies. Examiners compared the bank's small business and small farm lending performances to the available D&B

data, and home mortgage lending performance to aggregate and demographic data. The data and analyses only include loans originated within the bank's AA.

Small Business Loans
Farmers Savings Bank's geographic distribution of small business loans throughout the AA reflects reasonable dispersion among CTs of various income levels. Details and support for this conclusion follow.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Moderate					
2019	13.9	3	10.0	95	4.6
*2020	13.7	4	8.3	38	0.9
Middle					
2019	86.1	27	90.0	1,956	95.4
*2020	86.3	44	91.7	4,197	99.1
Total					
2019	**100.0**	**30**	**100.0**	**2,051**	**100.0**
***2020**	**100.0**	**48**	**100.0**	**4,235**	**100.0**
Source: 2019 and 2020 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0% **2020 bank data includes PPP sampled loans.*					

By number, in 2019, the bank's level of originating small business loans in the two moderate-income CTs (10.0 percent) is below, but reasonably in line with, the presented D&B demographics (13.9 percent). In 2020, although the bank's small business loan originations in the moderate-income CTs declined slightly from 2019 levels, the performance is reasonably in line with the demographics.

For both years, the bank's dollar volume of lending in moderate-income CTs is substantially below the demographics, especially in 2020 when it declined to 0.9 percent. The significant increase in the number of loan originations at lower dollar amounts under the PPP program (as mentioned previously) affected the dollar volume percentages.

Further supporting the conclusion of reasonable geographic distribution of small business loans is the fact that the Farmers Savings Bank's Edmund office, in a moderate-income CT, is in a very small community with no designated business district. There is a high level of competition from other nearby financial institutions located in both AA moderate-income CTs (as discussed previously). Additionally, as five of the six banking offices are in middle-income CTs, and six of the eight CTs are middle-income, it is reasonable to expect a strong majority of the bank's loans would be in the AA middle-income geographies. Overall, considering the AA demographics, D&B data, office locations, competition, credit needs and opportunities, Farmers Savings Bank's distribution of small business loans throughout the AA geographies is reasonable.

Home Mortgage Loans
Farmers Savings Bank's geographic distribution of reported home mortgage loans throughout the AA reflects reasonable dispersion among CTs of various income levels. Performance and conclusions for both 2019 and 2020 are consistent. Therefore, this section presents only data for year 2019, as this is the year with the most current available aggregate data for comparisons. Details and support follow.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Moderate						
2019	18.9	9.1	15	9.6	2,091	9.1
Middle						
2019	81.1	90.9	142	90.4	20,933	90.9
Totals						
2019	**100.0**	**100.0**	**157**	**100.0**	**23,024**	**100.0**
Source: 2015 ACS; Bank Data; 2019 HMDA Aggregate Data; Due to rounding, totals may not equal 100.0%						

In 2019, the bank's home mortgage originations within the moderate-income CTs are slightly above, but in line with, the aggregate performance. The dollar volume of lending is in line with aggregate performance. The 2020 performance was substantially similar to the 2019 distribution. Given AA demographics, aggregate performance, and AA credit needs and opportunities, Farmers Savings Bank's geographic distribution of home mortgage loans throughout the AA is reasonable.

Small Farm Loans
Farmers Savings Bank's geographic distribution of small farm loans throughout the AA reflects reasonable dispersion among CTs of various income levels. Details follow.

Geographic Distribution of Small Farm Loans					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Moderate					
2019	27.7	5	14.7	788	26.4
2020	25.4	2	8.0	252	17.7
Middle					
2019	72.3	29	85.3	2,196	73.6
2020	74.6	23	92.0	1,176	82.3
Total					
2019	**100.0**	**34**	**100.0**	**2,984**	**100.0**
2020	**100.0**	**25**	**100.0**	**1,428**	**100.0**
Source: 2019 and 2020 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%					

In 2019, by number, the bank's small farm loan originations in the two AA moderate-income CTs is below the demographics. In 2020, the originations in moderate-income CTs are even lower. However, by dollar volume, the lending within the moderate-income CTs is more in line with the demographics.

Though performance trails the comparable demographic, several factors were considered in arriving at the overall conclusion. The previously noted high level of banking competition in and near the moderate-income geographies affected performance. Though the bank operates one branch in a moderate-income CT, this location (Edmund) obtains little of the overall share of the bank's total deposits and operates without a lender. It is difficult for this particular branch to attract new customers in the moderate-income CT given the availability of multiple area banks, and particularly, the Farm Credit Agency located in Dodgeville. Farmers Savings Bank has experienced a decline in overall farm lending during the evaluation period, primarily due to heavy competition and recent economic factors. Finally, a review of the bank's dispersion of small farm loans throughout the AA did not reveal any concerns.

Overall, considering the limited farms in the moderate-income CTs, dollar volume distribution of loans, office locations, competition, and credit needs and opportunities, the distribution of small farm loans throughout the AA geographies is reasonable.

Borrower Profile

The distribution of loans to borrowers within the AA reflects reasonable penetration among businesses of different sizes, individuals of various income levels, and farms of different sizes. Examiners focused on the percentage by number of small business and small farm loans to businesses and farms with GARs of $1 million or less. For these loan categories, examiners compared the bank's performance to available D&B data. Examiners also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and comparison to aggregate data. The presented data and analyses only include reviewed loans originated within the bank's AA. See the below analyses for each reviewed loan category.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses with GARs of $1 million or less. Details of the bank's lending performance for 2019 and 2020 follow.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
≤ $1,000,000					
2019	83.8	25	83.3	1,400	68.3
*2020	83.7	33	68.8	925	21.8
> $1,000,000					
2019	4.3	5	16.7	651	31.7
*2020	4.3	15	31.2	3,310	78.2
Revenue Not Available					
2019	11.9	0	0.0	0	0.0
*2020	12.0	0	0.0	0	0.0
Total					
2019	**100.0**	**30**	**100.0**	**2,051**	**100.0**
2020	**100.0**	**48**	**100.0**	**4,235**	**100.0**
*Source: 2019 and 2020 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%; *2020 bank data includes PPP sampled loans.*					

In 2019, Farmers Savings Bank's level of lending to businesses with GARs of $1 million or less is in line with the demographics. Although the level of lending to this category of businesses decreased in 2020, it is still reasonable considering area opportunities and demand. Overall, considering both year's performance levels, AA demographics, D&B data, credit needs, and area competition, the bank's distribution of small business loans reflects reasonable penetration among businesses of different sizes.

Home Mortgage Loans
The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. Details and support for this conclusion follow.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2019	21.6	10.6	23	14.7	1,797	7.8
2020	21.6	--	41	11.6	4,047	6.6
Moderate						
2019	20.4	22.7	41	26.1	5,356	23.3
2020	20.4	--	81	22.9	11,636	19.0
Middle						
2019	24.4	25.2	42	26.8	5,912	25.7
2020	24.4	--	104	29.5	18,873	30.8
Upper						
2019	33.5	34.1	47	29.9	9,602	41.7
2020	33.5	--	108	30.6	23,630	38.5
Not Available						
2019	0.0	7.4	4	2.5	358	1.6
2020	0.0	--	19	5.4	3,141	5.1
Totals						
2019	**100.0**	**100.0**	**157**	**100.0**	**23,024**	**100.0**
2020	**100.0**	**--**	**353**	**100.0**	**61,326**	**100.0**
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%						

In 2019, by number, the bank's level of lending to low-income borrowers is notably above aggregate performance. Similarly, the lending to moderate-income borrowers is also well above aggregate performance. These performance levels reflect excellent response to the credit needs of low- and moderate-income borrowers, especially in view of the high area housing costs and noted poverty level.

For 2020, aggregate data is not available for comparison, and therefore, examiners considered demographics in reaching conclusions. The bank's lending to low-income borrowers in 2020 is lower than the presented demographics. However, factoring in the AA families below poverty level (at 5.1 percent) results in bank performance to low-income borrowers more in line with the demographics. Furthermore, it is unlikely that low-income borrowers (including those at poverty level) can afford home ownership in the area given the high housing costs noted previously. The bank's lending to moderate-income borrowers in 2020 is above the demographics, representing excellent performance to this category of borrowers.

Overall, considering the AA demographics and housing costs, aggregate performance, credit needs, opportunities, and competition, Farmers Savings Bank's distribution of home mortgage loans to borrowers of different income levels is excellent.

Small Farm Loans

The distribution of reviewed small farm loans reflects reasonable penetration among farms with GARs of $1 million or less. Details of the bank's lending performance for 2019 and 2020 follow.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
≤ $1,000,000					
2019	98.1	33	97.1	2,352	78.8
2020	97.9	25	100.0	1,428	100.0
> $1,000,000					
2019	1.7	1	2.9	632	21.2
2020	1.8	0	0.0	0	0.0
Revenue Not Available					
2019	0.2	0	0.0	0	0.0
2020	0.3	0	0.0	0	0.0
Total					
2019	**100.0**	**34**	**100.0**	**2,984**	**100.0**
2020	**100.0**	**25**	**100.0**	**1,428**	**100.0**
Source: 2019 and 2020 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%					

In 2019, the bank’s level of lending to smaller farms (those with GARs of $1 million and less) is slightly below, but in line with, the D&B data. In 2020, the bank’s level of lending to the smaller farms is at 100.0 percent, slightly above the respective demographics. Considering both years’ performances, AA demographics, competition, credit needs and opportunities, Farmers Savings Bank’s distribution of small farm loans reflects reasonable penetration among farms of different sizes.

<u>Response to Complaints</u>

Farmers Savings Bank has not received any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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).

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 (e.g., geographic distribution, borrower profile, 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 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 (e.g., 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.

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 (also known as **non-MSA):** 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.