

PUBLIC DISCLOSURE

March 17, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

F&M Bank
Certificate Number: 5401

1701 Stone Street
Falls City, Nebraska 68355

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 need of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The majority of small farm and small business loans, by number and dollar volume, were made within the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution did not receive any Community Reinvestment Act (CRA) complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

F&M Bank is a community bank headquartered in Falls City, Nebraska, and is wholly owned by Ambage Inc, a one-bank holding company located in West Point, Nebraska. The holding company is owned by R. Dean Phillips Bank Trust and Janice Sauvage Trust, each with 42.5 percent ownership. Chairman of the Board Philip M. Burns owns the remaining 15 percent of the holding company. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated July 22, 2019, which followed Interagency Small Institution Examination Procedures.

F&M Bank continues to operate one full-service office and one drive-thru location, both located in Fall City, Nebraska. The bank offers traditional credit products including agricultural, commercial, home mortgage, and consumer loans. The bank offers a variety of deposit products including checking, savings, money market, and individual retirement accounts, as well as certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit, and two ATMs. The bank has not opened or closed any branches or been involved in any mergers or acquisitions since the prior evaluation.

The December 31, 2024 Consolidated Reports of Condition and Income (Call Report) reflected total assets of \$134.2 million, total loans of \$64.2 million, and total deposits of \$116.5 million. These figures represent an increase since the previous CRA evaluation, when assets totaled \$107.7 million, loans totaled \$61.5 million, and deposits totaled \$94.1 million. As reflected in the following table, the bank's loan portfolio is primarily comprised of agricultural lending followed by commercial lending, which is generally consistent with the loan portfolio distribution at previous evaluations.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,572	4.0
Secured by Farmland	24,019	37.4
Secured by 1-4 Family Residential Properties	7,895	12.3
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	7,930	12.4
Total Real Estate Loans	42,416	66.1
Commercial and Industrial Loans	4,562	7.1
Agricultural Production and Other Loans to Farmers	14,293	22.3
Consumer Loans	2,268	3.5
Obligations of State and Political Subdivisions in the U.S.	366	0.6
Other Loans	321	0.5
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	64,226	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%</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 that will be evaluated. F&M Bank designated one assessment area that consists of the entirety of Richardson County, which is located within the nonmetropolitan area of southeastern Nebraska. The assessment area is comprised of one moderate-income and two middle-income census tracts.

Economic and Demographic Data

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	33.3	66.7	0.0	0.0
Population by Geography	7,871	0.0	56.1	43.9	0.0	0.0
Housing Units by Geography	4,411	0.0	50.8	49.2	0.0	0.0
Owner-Occupied Units by Geography	2,777	0.0	49.1	50.9	0.0	0.0
Occupied Rental Units by Geography	929	0.0	66.8	33.2	0.0	0.0
Vacant Units by Geography	705	0.0	36.6	63.4	0.0	0.0
Businesses by Geography	988	0.0	56.5	43.5	0.0	0.0
Farms by Geography	191	0.0	26.2	73.8	0.0	0.0
Family Distribution by Income Level	2,306	27.9	21.8	18.9	31.4	0.0
Household Distribution by Income Level	3,706	31.8	18.6	17.0	32.6	0.0
Median Family Income Non-MSAs - NE		\$70,804	Median Housing Value			\$73,445
			Median Gross Rent			\$633
			Families Below Poverty Level			5.7%
Source: 2020 U.S. Census and 2024 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.						

The assessment area is predominantly rural, and the economy is highly dependent on agriculture. According to 2022 Census of Agriculture data, farm operations generated \$232.0 million in commodity sales in Richardson County. The assessment area also supports a variety of other businesses. According to 2024 D&B data, the largest business segments, by number of operations, were services at 28.3 percent; agriculture, forestry, and fishing at 16.2 percent; and non-classifiable establishments 15.2 percent. Businesses and farms are predominantly small operations, with 90.7 percent operating from a single location and 71.3 percent employing five or fewer employees.

The 2020 U.S. Census data reveals that the assessment area has had moderate growth since the previous evaluation. The number of businesses increased by 334, and the number of farms increased by 50. However, the population decreased by 330.

Competition

F&M Bank operates in a moderately competitive market for financial services, given the population and rural nature of the assessment area. According to the 2024 FDIC Deposit Market Share data, five financial institutions operate seven branches within Richardson County. Of these institutions, F&M Bank is ranked second with 31.1 percent of the deposit market share.

Community Contact

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

Examiners contacted a representative from an economic development organization that serves Richardson County. The contact stated that agriculture is a primary driver of the economy and accounts for the largest portion of employment. The other largest sources of employment in the area are the local hospital and manufacturing jobs. Overall, the economy is stable, and the contact anticipates growth in the coming years due to a new five billion dollar investment project from *Citroniq Chemicals*, a biochemical manufacturing company. The contact also indicated that the primary credit needs of the area are agricultural and business start-up loans.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural and commercial loans are the primary credit needs of the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 22, 2019, to the current evaluation dated March 17, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate F&M Bank's CRA performance, which includes the Lending Test. Refer to the Appendices for a description of the criteria evaluated under the Lending Test.

Activities Reviewed

F&M Bank's primary credit products are agricultural and commercial loans. Therefore, examiners selected small farm and small business loans to evaluate the bank's CRA performance. The products reviewed were selected based on the bank's business strategy, volume of loans originated, the loan portfolio composition, and the credit needs of the assessment area. Home mortgage loans were not reviewed during this evaluation since this product type is not a major focus of the bank.

Examiners selected the calendar year 2024 as the review period. The lending focus and product composition remained consistent throughout the evaluation period, and bank management indicated this review period was an accurate representation of the lending activity throughout the evaluation period. For the Lending Test, examiners reviewed all small farm and small business loans originated in 2024 based on the bank's records to evaluate the Assessment Area Concentration criterion. Examiners reviewed all small farm and small business loans located inside the assessment area to evaluate the Geographic Distribution criterion. For Borrower Profile criterion, examiners reviewed a sample of small farm loans and all small business loans in the assessment area. The 2024 D&B data provided the standard of comparison for the bank's small farm and small business lending performance. The following table provides details on the loan products reviewed.

Loan Products Reviewed						
Loan Category	Assessment Area Concentration		Geographic Distribution		Borrower Profile	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Farm	46	4,674	41	4,041	30	2,899
Small Business	26	1,786	16	961	16	961
Source: Bank Data						

Examiners placed greater weight on small farm lending when drawing conclusions because agricultural lending represents the largest portion of the loan portfolio. While examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation, they emphasized performance by the number of loans because the number of loans is generally a better indicator of the farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

F&M Bank demonstrated satisfactory performance under the Lending Test. The bank's collective performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

F&M Bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio, calculated from Call Report data, averaged 55.9 percent over the past 22 quarters from September 30, 2019, to December 31, 2024. The bank's average net loan-to-deposit ratio increased since the previous evaluation when it was calculated at 45.3 percent.

Examiners compared F&M Bank's average net loan-to-deposit ratio to three similarly situated financial institutions to evaluate the bank's performance. These institutions were selected based on their asset size, geographic location, and lending focus. As shown in the following table, F&M Bank's net loan-to-deposit ratio is reasonable in comparison to two similarly situated institutions' ratios, which are all significantly lower than the ratio for one similarly situated institution.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/24 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
F&M Bank, Fall City, Nebraska	\$134,228	55.9
Auburn State Bank, Auburn Nebraska	\$255,057	49.8
State Bank of Table Rock, Table Rock Nebraska	\$143,036	102.1
The First National Bank of Johnson, Johnson, Nebraska	\$90,421	37.2
Source: Reports of Condition and Income 9/30/2019 through 12/31/2024		

Assessment Area Concentration

The majority of small farm and small business loans, by number and dollar volume, were made within the assessment area. The following table provides details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		#	\$(000s)	%	\$(000s)	
Small Farm	41	89.1	5	10.9	46	4,041	86.5	633	13.5	4,674
Small Business	16	61.5	10	38.5	26	961	53.8	825	46.2	1,786
Total	57	79.2	15	20.8	72	5,002	77.4	1,458	22.6	6,460
Source: Bank Data. Due to rounding, totals may not equal 100.0%										

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Although the small business lending performance was excellent, the reasonable small farm lending performance is the driver for this conclusion as it received greater weight in the evaluation. Examiners focused on the percentage of loans in the assessment area's moderate-income census tract as the area does not include any low-income census tracts.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. The bank's lending to farms in the moderate-income census tract is comparable to 2024 D&B data. The following table provides details.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	26.2	12	30.0	605	15.0
Middle	73.8	29	70.0	3,436	85.0
Totals	100.0	41	100.0	4,041	100.0
Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0					

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The bank's lending to businesses in the moderate-income census tract exceeds 2024 D&B data. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	56.5	11	68.8	625	65.0
Middle	43.5	5	31.3	336	35.0
Totals	100.0	16	100.0	961	100.0
Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%					

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. The bank's reasonable small farm lending performance outweighed the excellent small business lending performance, as small farm lending received more weight. Examiners focused on the percentage 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 sizes. The percentage of small farm loans to farms with revenues of \$1 million or less lags 2024 D&B data. According to 2022 Census of Agriculture data, 42.4 percent of farms in Richardson County do not report interest expense; therefore, there is a sizeable percentage of farms that appear to have little or no need for credit. Considering this factor, the bank's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.4	24	80.0	2,102	72.5
>\$1,000,000	1.0	6	20.0	797	27.5
Revenue Not Available	0.5	0	0.0	0	0.0
Total	100.0	30	100.0	2,899	100.0
Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. As shown in the table below, the percentage of small business loans to businesses with revenues of \$1 million or less exceeds 2024 D&B data in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.2	15	93.8	931	96.9
>\$1,000,000	3.3	1	6.3	30	3.1
Revenue Not Available	11.4	0	0.0	0	0.0
Total	100.0	16	100.0	961	100.0
<i>Source: 2023 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

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.