

PUBLIC DISCLOSURE

July 16, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers State Bank
Certificate Number: 13775

100 West Main Street
Mountain City, Tennessee 37683

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Region – Memphis Area Office

6060 Primacy Parkway, Suite 300
Memphis, Tennessee 38119

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 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 COMMUNITY REINVESTMENT ACT (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.

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the overall rating. The following discussion summarizes the bank's performance under applicable tests, discussed in detail elsewhere.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a substantial majority of their lending inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 18, 2012, to the current evaluation dated July 16, 2018. Examiners used the Interagency Small Institution Examination Procedures to evaluate the CRA performance of Farmers State Bank (FSB). These procedures contain five performance criteria:

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

The bank operates in one assessment area (AA) in the State of Tennessee. Examiners used full-scope procedures to evaluate performance in the institution's sole AA.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage, consumer, and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated since the prior evaluation. Refer to Appendix A for terms and definitions on what constitutes small business, small farm, and home mortgage loans for purposes of CRA analysis. The following table displays the bank's originations and purchases for the most recent full calendar year (2017). Consumer, residential real estate, and commercial lending represent the largest three categories by number and dollar volume.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	388	0.4	18	0.8
Secured by Farmland	3,758	3.7	56	2.6
1-4 Family Residential	52,506	52.5	671	30.8
Multi-Family (5 or more) Residential	0	0.0	0	0.0
Commercial Real Estate	20,006	20.0	64	2.9
Commercial and Industrial	12,676	12.7	215	9.9
Agricultural	683	0.7	49	2.2
Consumer	10,009	10.0	1,108	50.8
Other Loans	0	0.0	0	0.0
Total Loans	100,026	100.0	2,181	100.0
<i>Source: Bank Records 1/1/17 through 12/31/17; includes loan renewals.</i>				

Considering both the number and dollar volume of home mortgage, small business, and consumer loans, examiners afforded more weight to home mortgage loans when forming conclusions. No other loan types, such as small farm loans represent a major product line.

Therefore, this evaluation does not present these loan types, as they provide no material support for conclusions.

FSB is not subject to the Home Mortgage Disclosure Act and is not required to collect or report certain data concerning applications for home purchase, refinance, or home improvement loans. Examiners identified the universe of 1-4 family residential real estate loans originated from January 1, 2017 through December 31, 2017 from the bank files, which consisted of 671 loans totaling \$52.5 million. From this universe, examiners selected a sample of 42 loans totaling \$3.4 million. Home mortgage lending, relative to borrower income, was compared to the percentage of families by income level in the AA, using information from the 2015 American Community Survey (ACS) census data and the FFIEC's median family income (MFI) data.

The bank is also not subject to data collection and reporting requirements for small business or consumer loans. Examiners selected samples of these loans from calendar year 2017. In 2017, the bank granted 1,108 consumer loans totaling \$10.0 million, from which examiners selected a random sample of 43 loans totaling \$190,208. Also in 2017, the bank granted 275 small business loans totaling \$32.6 million, from which examiners selected a sample of 39 loans totaling \$2.7 million. D&B data for 2017 provided a standard of comparison for the sampled small business loans. Examiners selected these samples based on a 90 percent confidence Interval at the 15 percent level of precision.

Loan Category Weighting

As shown in the following table, the bank's 2017 lending reflects an emphasis on home mortgage lending by dollar volume, while consumer loans account for a majority by number. Placing more emphasis on the dollar volume, home mortgage loans received heavier weighting when arriving at applicable conclusions.

Loan Category Weighting				
Loan Category Reviewed	Universes of Loan Categories Reviewed			
	\$(000s)	%	#	%
Home Mortgage	52,506	55.2	671	32.6
Consumer	10,009	10.5	1,108	53.8
Small Business	32,682	34.3	279	13.6
Total Reviewed Categories	95,197	100.0	2,058	100.0
<i>Source: Bank Records (1/1/17 – 12/31/17)</i>				

Examiners reviewed the number and dollar volume of home mortgage, consumer, and small business loans. While the number and dollar volume are presented, examiners focused on performance by number of loans, because the number of loans is a better indicator of the number of businesses and individuals served.

DESCRIPTION OF INSTITUTION

Background

FSB is a rural community bank headquartered in Mountain City, Tennessee that opened on January 1, 1902. Farmers State Bancshares, Inc., a one-bank holding company, also located in Mountain City, Tennessee, owns the bank. The bank has no subsidiaries or other affiliate relationships. The bank received a “Satisfactory” rating at its previous FDIC CRA Performance Evaluation, as of June 18, 2012.

Operations

As shown in the following table, FSB operates three full-services branches in its AA in the northeastern corner of Tennessee. The main office and another full-service branch are located in Mountain City. The remaining office is located in Butler, Tennessee. The bank did not open or close any branches since the previous examination.

Branch Distribution by Census Tract Income Level			
Office Name	Main Office or Branch	Census Tract	Tract Income
Main Office	Main Office	9563	Middle
421 Branch	Branch	9563	Middle
Butler Branch	Branch	9561	Middle
Number of Branches in Low- and Moderate-Income CTs		0	
Percent of Branches in Low- and Moderate-Income CTs		0.0%	
Source: 2015 ACS Census & Bank Data.			

The bank offers a typical range of financial products and services. Loan products include commercial, agricultural, home mortgage, and consumer loans. There is no formal small dollar loan program; however, the bank offers loans as low as \$1,000.

The institution provides a variety of deposit services including checking, savings, and money market deposit accounts. In addition, the bank offers internet and telephone banking and mobile banking with mobile deposit capture. The bank does not operate any deposit-taking automated teller machines (ATMs), but has cash-dispensing ATMs at each office.

Ability and Capacity

FSB’s assets totaled approximately \$144.0 million as of March 31, 2018, including total loans of \$89.6 million. The following table illustrates the loan portfolio distribution, by loan type.

Loan Portfolio Distribution as of 3/31/2018		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	6,257	7.0
Secured by Farmland	2,777	3.1
Secured by 1-4 Family Residential Properties	41,022	45.8
Secured by Multi-family (5 or more) Residential Properties	5,239	5.8
Secured by Non-farm Non-Residential Properties	15,968	17.8
Total Real Estate Loans	71,263	79.5
Commercial and Industrial Loans	9,176	10.3
Agricultural Production and Other Loans to Farmers	518	0.6
Consumer	7,737	8.6
Obligations of States and Political Subdivisions in the United States	914	1.0
Other Loans	20	0.0
Total Loans	89,628	100.0
<i>Source: Report of Condition and Income (12/31/2017)</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA evaluation requires each financial institution to define one or more AAs within which examiners will evaluate CRA performance. FSB designated one AA, comprised of Johnson County in its entirety. This AA is located in a non-metropolitan portion of upper, eastern Tennessee. The AA conforms to CRA regulatory requirements. The following sections discuss economic and demographic information for the AA.

Economic and Demographic Data

As shown in the following table, the AA has five census tracts with the following income designations according to the 2015 ACS: one moderate-income tract and four middle-income tracts. The Federal Financial Institutions Examination Council (FFIEC) designed all four middle-income census tracts as distressed or underserved geographies based on high poverty or remote rural. The AA does not contain low- or upper-income census tracts. This was slightly different from the 2010 U.S. Census, which designated three tracts as moderate-income census tracts and two as middle-income census tracts.

This area includes 7,009 households as of the 2015 ACS. Of the area's families, 44.6 percent reported low- or moderate incomes, and 20.9 percent reported incomes below the poverty level, which is slightly higher than the 2010 US Census level of 19.5 percent. Of the area's 8,924 housing units, owner-occupied units comprise 60.9 percent, occupied rental units 17.7 percent, and vacant units 21.6 percent. The number of owner occupied housing-units decreased from 5,635 to 5,432 and occupied rental units decreased from 1,741 to 1,577 between the 2010 US Census and the 2015 ACS. Also, the population slightly decreased from 18,244 to 18,017. The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	20.0	80.0	0.0	0.0
Population by Geography	18,017	0.0	27.8	72.2	0.0	0.0
Housing Units by Geography	8,924	0.0	26.7	73.3	0.0	0.0
Owner-Occupied Units by Geography	5,432	0.0	29.8	70.2	0.0	0.0
Occupied Rental Units by Geography	1,577	0.0	23.5	76.5	0.0	0.0
Vacant Units by Geography	1,915	0.0	20.6	79.4	0.0	0.0
Businesses by Geography	767	0.0	19.8	80.2	0.0	0.0
Farms by Geography	46	0.0	26.1	73.9	0.0	0.0
Family Distribution by Income Level	4,715	25.3	19.3	17.8	37.6	0.0
Household Distribution by Income Level	7,009	31.5	17.1	16.9	34.4	0.0
Median Family Income Non-MSAs - TN		\$46,254	Median Housing Value \$113,230			
			Median Gross Rent \$496			
			Families Below Poverty Level 20.9%			
Source: 2015 ACS Data, 2017 D&B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

This evaluation uses the 2017 FFIEC-estimated MFI for non-metropolitan areas of Tennessee for the Borrower Profile analysis. The following table shows each income level designation.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TN NA Median Family Income (99999)				
2017 (\$47,900)	<\$23,950	\$23,950 to <\$38,320	\$38,320 to <\$57,480	≥\$57,480
Source: FFIEC Due to rounding, totals may not equal 100.0 percent.				

The analysis of small business loans in the Borrower Profile criterion compares the bank's loans to the distribution of businesses by gross annual revenues (GARs). According to the 2017 D&B data, there were 767 businesses in the AA with the following GAR levels:

- 80.8 percent have \$1 million or less,
- 4.7 percent have more than \$1 million, and
- 14.5 percent have unknown resources.

Education service industries represent the largest portion of businesses at 17.0 percent; followed by healthcare and social assistance at 16.0 percent; and retail trade at 13.0 percent. In addition, 52.0 percent of the workers in the AA are self-employed or earn their wages from unincorporated businesses and 3.0 percent earn wages from the government. The following table lists the major employers in the AA.

Major Employers in Assessment Area		
Company Name	City	Estimated Number of Employees
Northeast Correctional Complex	Mountain City	400
Johnson County Board of Education	Mountain City	400
Danny Herman Trucking, Inc.	Mountain City	200
Parkdale Mills	Mountain City	200
<i>Source: Tennessee Department of Labor and Workforce Development.</i>		

Data obtained from the Tennessee Department of Labor and Workforce indicates that the December 2017 unemployment rate for Johnson County (3.3 percent) was below the state average (4.3 percent), and the national average (4.1 percent). The following table displays the unemployment rates over the last three years for Johnson County, the State of Tennessee, and the national average.

Unemployment Rates			
Area	December 2017	December 2016	December 2015
Johnson County	3.3	4.9	5.0
State of Tennessee	4.3	4.7	4.9
National Average	4.1	4.7	5.0
<i>Source: Tennessee Department of Labor and Workforce Development.</i>			

The economy in Johnson County has declined since the last evaluation. From 2012 to 2017, the population declined by 2.5 percent and the US Census Bureau population forecast shows minimal growth through 2025. From 2015 to 2016, employment in Johnson County declined at a rate of 5.7 percent from 6,048 employees to 5,704 employees. High poverty rates, below-average educational attainment, and weak population growth are expected to remain trends in the coming years.

Competition

The AA contains a moderate level of competition from other banks. Three other institutions operate five offices in the AA. FSB ranks 1st in deposit market share with 46.6 percent of the area's deposits based on the June 30, 2017, FDIC Deposit Market Share Report. In addition, non-banks, including credit unions, mortgage companies, and finance companies, also provide financing in the area.

As noted previously, the bank is not subject to data collection requirements for home mortgage, small business or small farm loan data. Therefore, the analysis of the bank's lending does not include comparisons to aggregate data.

Community Contact

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

The contact noted that the primary credit needs are small business and home mortgage loans. The contact also stated that the local banks are doing a good job of providing general banking services and meeting the local credit needs. The contact further said the local banks are excellent at supporting the community with financial and personnel resources and by encouraging their staff to serve in the various community-oriented organizations.

Credit and Community Development Needs and Opportunities

Considering Information obtained from the contact, bank management, and demographic and economic data, examiners concluded that the primary credit needs of the assessment area are small business and home mortgage loans. The significant percentage of business with GARs of \$1 million or less and the large number of businesses with four or fewer employees also support this conclusion. Demographic data indicates that 44.6 of the AA's families are low- or moderate-income, with 20.9 percent below the poverty level. This further signifies a continued need for community development services and affordable housing in this area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated an overall satisfactory record under the Lending Test. Reasonable performance in the geographic distribution and borrower profile analyses primarily support this conclusion. Reasonable performance with respect to loan-to-deposit ratio and an excellent assessment area concentration further support this conclusion.

Loan-to-Deposit Ratio

The bank exhibited a reasonable record of lending, based on its loan-to-deposit ratio. Reasonable overall and comparative levels support this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the AA's needs.

Overall Level

The overall level of the bank's average, net loan-to-deposit ratio reflects reasonable performance. The average ratio was 70.4 percent over the 24 quarters since the last evaluation. This is lower than the 77.6 ratio recorded at the previous evaluation. The ratio varied from a low of 66.1 percent as of September 30, 2013, to a high of 75.5 percent as of September 30, 2017. The average, net loan-to-deposit ratio has been relatively stable since the previous evaluation.

Comparative Level

As shown in the following table, the comparative level of the bank's average, net loan-to-deposit ratio reflects reasonable performance. Examiners identified three similarly-situated institutions operating in or near the bank's AA, with comparable asset sizes and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank Name and Location	Total Assets as of 3/31/2018 \$(000s)	Average, Net LTD Ratio (%)
Farmers State Bank, Mountain City, TN	144,010	70.4
Comparable Banks		
The First National Bank of Oneida, Oneida, TN	216,336	69.8
Greenville Federal Bank, Greenville, TN	157,789	95.2
Peoples Bank of East Tennessee, Madisonville, TN	206,283	73.3
<i>Source: Report of Condition (3-31-18); Reports of Condition (previous 24 quarters: (06/30/12 through 03/31/18).</i>		

Assessment Area Concentration

A substantial majority of the bank's lending activities are within its assessment area, reflecting excellent performance.

As described within the "Scope of the Evaluation," examiners placed more emphasis on home mortgage loans in the overall conclusions. The institution originated a substantial majority of its home mortgage loans inside the AA. The following table shows that a substantial majority of loans were granted within the AA, based on the percentages by number and dollar volume.

The institution also originated a majority of consumer loans inside the AA. The review showed that 86.1 percent of the consumer loans, by number, and 77.4 percent by dollar volume, were inside its AA. The institution originated a majority of small business loans inside the AA. The review showed that 82.1 percent of the small business loans, by number, and 91.8 percent by dollar volume, were inside its AA.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans \$(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage	40	95.3	2	4.7	42	3,349	96.8	110	3.2	3,459
Consumer	37	86.1	6	13.9	43	147	77.4	43	22.6	190
Small Business	32	82.1	7	17.9	39	2,567	91.8	228	8.2	2,795
Totals	109	87.9	15	12.1	124	6,063	94.1	381	5.9	6,444
<i>Source: Bank Records (1/1/17 – 12/31/17)</i>										

Geographic Distribution

Overall, the bank's record of lending in census tracts of different income levels is reasonable. Stronger performance was noted in the home mortgage and small business loans, while poor performance is noted in consumer lending. As noted previously, examiners placed more emphasis on the bank's home mortgage lending performance in arriving at conclusions.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The following shows that the bank made 30.0 percent of its home mortgage loans in moderate-income areas, which effectively mirrors the percentage of owner-occupied housing units in these areas, at 29.8 percent.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	29.8	12	30.0	1,054	31.5
Middle	70.2	28	70.0	2,295	68.5
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	40	100.0	3,349	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>					

Consumer Loans

The bank's geographic dispersion of consumer loans reflects poor performance. The following table shows that the bank only made 10.8 percent of its consumer loans in the moderate-income tracts, representing less than half of the percentage of households residing in these tracts.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	0.0	0	0.0	0.0	0.0
Moderate	28.4	4	10.8	11	7.5
Middle	71.6	33	89.2	136	92.5
Upper	0.0	0	0.0	0.0	0.0
Not Available	0.0	0	0.0	0.0	0.0
Totals	100.0	37	100.0	147	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data; Due to rounding, totals may not equal 100.0 percent.</i>					

Small Business Loans

The bank's geographic distribution of small business loans reflects reasonable performance. As illustrated below, the bank originated 18.7 percent of the small business loans within moderate-income census tracts, which is slightly less than the percentage of businesses, according to 2017 D&B data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0.0	0.0	0.0	0.0
Moderate	19.8	6	18.7	1,055	41.1
Middle	80.2	26	81.3	1,512	58.9
Upper	0.0	0.0	0.0	0.0	0.0
Not Available	0.0	0.0	0.0	0.0	0.0
Totals	100.0	32	100.0	2,567	100.0
<i>Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

Borrower Profile

The bank's lending to borrowers of different income levels and businesses of different sizes is reasonable. Home mortgage and small business lending were reasonable, and consumer lending was excellent. As noted previously, examiners placed more emphasis on the bank's home mortgage lending performance in arriving at conclusions. Examiners focused on the percentage by number of home mortgage and consumer loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels, including low- and moderate-income borrowers is reasonable. The following table shows that, by number, the bank's lending to low-income borrowers is lower than the percentages of families; however, the lending level to moderate-income borrowers exceeded the demographic figure by 3.2 percentage points.

As noted previously, approximately 20.9 percent of the families in the AA have incomes below the poverty level. These families likely do not have the capacity to qualify for and/or service the debt necessary to purchase a home in the AA, where the median house value is \$113,230.

Considering this fact, the bank's record of home mortgage lending to low-income borrowers is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	25.3	7	17.5	288	8.6
Moderate	19.3	9	22.5	652	19.5
Middle	17.8	13	32.5	970	29.0
Upper	37.6	9	22.5	1,327	39.6
Not Available	0.0	2	5.0	112	3.3
Totals	100.0	40	100.0	3,349	100.0
Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0 percent.					

Consumer Loans

Based on the sample of consumer loans, FSB's lending reflects excellent penetration among individuals of different income levels, particularly low- and moderate-income borrowers. The percentage of originations to low-income households is 14.5 percentage points higher than the percentage of low-income households. In addition, lending to moderate-income borrowers is 1.8 percentage points higher than the percentage of moderate-income households. In total, low- or moderate-income borrowers received 64.9 percent of the sampled consumer loans, demonstrating excellent performance.

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	31.5	17	46.0	56	38.1
Moderate	17.1	7	18.9	30	20.4
Middle	16.9	6	16.2	23	15.6
Upper	34.4	4	10.8	22	15.0
Not Available	0.1	3	8.1	16	10.9
Totals	100.0	37	100.0	147	100.0
Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0 percent.					

Small Business Loans

The distribution of the bank's small business loans reflects reasonable dispersion among businesses of different sizes. Examiners focused on the bank's lending to businesses with GARs of \$1 million or less, compared to the 2017 D&B data.

According to 2017 D&B data, 80.8 percent of the businesses in the bank's AA reported GARs of \$1 million or less. FSB originated 81.2 percent by number and 80.4 percent by dollar volume, of the sampled small business loans to businesses with GARs of \$1 million or less.

Detailed Distribution of Small Business Loans by Gross Annual Revenues					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	41.9	17	53.1	826	32.2
\$100,000 - \$249,999	28.8	9	28.1	1,237	48.2
\$250,000 - \$499,999	7.4	0	0.0	0	0.0
\$500,000 - \$1,000,000	2.7	0	0.0	0	0.0
Subtotal <= \$1,000,000	80.8	26	81.2	2,063	80.4
>\$1,000,000	4.7	1	3.1	267	10.4
Revenue Not Available	14.5	5	15.7	237	9.2
Totals	100.0	32	100.0	2,567	100.0
<i>Source: 2017 D&B Data, Bank Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</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 overall 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 loan 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.

MAIN OFFICE

100 W. Main St.
Mountain City, TN 37683
Phone: (423) 727-8121
Fax: (423) 727-5382
Census Tract #9563.00

Lobby Hours	Drive-Thru Hours
Monday - Thursday: 9:00 am - 4:30 pm	Monday - Thursday: 8:30 am - 4:30 pm
Friday: 9:00 am - 5:00 pm	Friday: 8:30 am - 5:00 pm

ATM Available 24/7

421 BRANCH

889 S. Shady St.
Mountain City, TN 37683
Phone: (423) 460-0302
Fax: (423) 727-9779
Census Tract #9563.00

Lobby Hours	Drive-Thru Hours
Monday - Thursday: 9:00 am - 4:30 pm	Monday - Thursday: 8:30 am - 4:30 pm
Friday: 9:00 am - 5:00 pm	Friday: 8:30 am - 5:00 pm
Saturday: 9:00 am - 12:00 pm	Saturday: 8:30 am - 12:00 pm

ATM Available 24/7

BUTLER BRANCH

130 Main St.
Butler, TN 37640
Phone: (423) 768-1189
Fax: (423) 281-1118
Census Tract #9561.00

Lobby Hours	Drive-Thru Hours
Monday - Thursday: 9:00 am - 4:30 pm	Monday - Thursday: 8:30 am - 4:30 pm
Friday: 9:00 am - 5:00 pm	Friday: 8:30 am - 5:00 pm
NOTE: Closed 1:00 pm - 2:00 pm daily	

ATM Available 24/7

Please note: Farmers State Bank has not opened or closed any branches in the past three years.

Farmers State Bank Net Loan to Deposit Ratios

March 31, 2023: 56.59%	September 30, 2023: 63.27%
June 30, 2023: 59.31%	December 31, 2023: 62.38%

2020 CENSUS TRACT REFERENCE MAP: JOHNSON COUNTY, TN

The map displays the following census tracts and their corresponding county numbers:





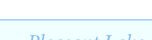



- 9560: DIST 6 91042
- 9561: DIST 4 90662
- 9562: DIST 3 90472
- 9563: DIST 7 91221
- 9564: DIST 1 90092
- 9565: DIST 2 90282

Neighboring counties and their numbers are also shown:

- WASHINGTON 191
- SULLIVAN 163
- CARTER 009
- JOHNSON 091
- WATAUGA 189
- ASHE 009
- GRAYSON 077
- VIRGINIA 51
- TENNESSEE 47
- NORTH CAROLINA 37

Other labels on the map include:

- Mountain City 50400
- Watauga Lake
- Johnson City
- Grayson
- Washington
- Sullivan
- Carter
- Watauga
- Ashe
- Grayson
- Virginia
- Tennessee
- North Carolina

SYMBOL/DESCRIPTION	SYMBOL	LABEL STYLE
Incorporated Place ^{1,2}		Davis 18100
Census Designated Place (CDP) ³		<i>Incline Village 35100</i>
Census Tract ³		33.07
DESCRIPTION	SYMBOL	DESCRIPTION
Water Body		Interstate or U.S. Highway
College or University		State Highway or State Road
Military		Other Road
Prison or Juvenile Detention Center		ADP Trail, Stateways, Ales, Walkways or Ferry
National or State Park, Forest, or Recreation Area		Unserviceable Classified or Feature Not Otherwise Displayed
Outside Subject Area		Inset Area

LABEL STYLE	
Davis 18100	
Incline Village 35100	
33.07	
DESCRIPTION	SUMMARY
Interstate or U.S. Highway	 2
State Highway or State Road	 6
Other Road	March Ln
I/PD Trail, Stairway, Alley, Walkway, or Ferry	
Nonresidential Boundary or Feature Not Elsewhere Classified	
Insert Area	 A1

2. Place label color corresponds to the place fill color.

3. Census tracts are identified by an up to four-digit integer number and may have an optional two-digit suffix; for example 23 or 1457.02. The census tract codes consist of six digits with an implied decimal between the fourth and fifth digit corresponding to the basic census tract number, but with leading zeros, and trailing zeros for census tracts without a suffix. The tract number examples above would have codes of 002300 and 145702, respectively.

Due to space limitations, some road names, along with other feature and geography names on the map, may not be shown.



Geographic Vintage: 2020 Census (reference date: January 1, 2020)
Data Source: U.S. Census Bureau's MAF/TIGER database (TAB20)
Map Created by Geography Division: January 06, 2021

Projection: Albers Equal Area Conic
Datum: NAD 83
Spheroid: GRS 80
1st Standard Parallel: 35 16 28
2nd Standard Parallel: 36 23 50
Central Meridian: -85 58 43
Latitude of Projection's Origin: 34 59 38
False Easting: 0
False Northing: 0

NAME: Johnson County (091)
ENTITY TYPE: County or statistically equivalent entity
ST: Tennessee (47)

2020 CENSUS TRACT REF MAP (PARENT)
Sheet ID: 249547091001



Checking

[Personal Checking](#)

[Non-Personal Checking](#)

[Student Checking](#)

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[Non-Personal NOW](#)

[Senior Citizen Checking](#)

[Main Street Checking](#)

[Main Street NOW](#)

[Simple Checking](#)

[Non-Profit Checking](#)

[Personal Money Market](#)

[Non-Personal Money Market](#)

[Small Commercial Checking](#)

Personal Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: \$100.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$6.00 will be imposed every statement cycle if the balance in the account falls below \$500.00 on any day within the cycle. This fee will be waived if you have a combined daily balance of \$1,000.00 in any deposit account.

ODP Limit: This account has a \$700 overdraft limit assigned after all eligibility requirements are satisfied.

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Non-Personal Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: \$1,000.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$5.00 will be imposed every statement cycle if the balance in the account falls below \$1,000.00 on any day within the cycle.

ODP Limit: This account has a \$1500 overdraft limit assigned after all eligibility requirements are satisfied.

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Student Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: Customer must be currently enrolled as a student. \$100.00 to open the account. Any customer without an established portfolio is required to fill out an application.

ODP Limit: This account has a \$700 overdraft limit assigned after all eligibility requirements are satisfied (including being at least age 18).

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Personal NOW

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is an interest bearing account.

Requirements: \$1,000.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$7.00 will be imposed every statement cycle if the balance in the account falls below \$1,000.00 on any day within the cycle.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account at any time.

Determination of Rate: At our discretion, we may change the interest rate on your account.

Compounding and Crediting Frequency: Interest will be compounded every statement cycle. Interest will be credited to your account every statement cycle.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits: Interest begins to accrue on the business day you deposit noncash items (for example, checks).

ODP Limit: This account has a \$700 overdraft limit assigned after all eligibility requirements are satisfied.

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Non-Personal NOW

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is an interest bearing account.

Requirements: \$1,000.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$7.00 will be imposed every statement cycle if the balance in the account falls below \$1,000.00 on any day within the cycle.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account at any time.

Determination of Rate: At our discretion, we may change the interest rate on your account.

Compounding and Crediting Frequency: Interest will be compounded every statement cycle. Interest will be credited to your account every statement cycle.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits: Interest begins to accrue on the business day you deposit noncash items (for example, checks).

ODP Limit: This account has a \$1500 overdraft limit assigned after all eligibility requirements are satisfied.

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Senior Citizen Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: Customer must be age 62 or older. \$100.00 to open the account. Any customer without an established portfolio is required to fill out an application.

ODP Limit: This account has a \$700 overdraft limit assigned after all eligibility requirements are satisfied.

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Main Street Checking

This is a demand deposit account with special checking privileges utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: \$100.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Main Street Monthly Fee: A Main Street monthly fee of \$6.00 will be imposed every statement cycle for the insurance plan provided.

ODP Limit: This account has a \$700 overdraft limit assigned after all eligibility requirements are satisfied.

Special Privileges:

- Accidental Death Insurance
- 24-Hour Insurance \$5,000
- Common Carrier \$50,000
- Private Passenger Auto \$10,000
- No minimum balance and unlimited check writing
- 150 free personal standard checks with other styles at a reduced rate
- Cashiers and Travelers Checks issued without charge
- Safe Deposit Box at one-half price
- Other benefits include travel benefits, security benefits, and shopping benefits

Insurance products are:

- * NOT A DEPOSIT
- * NOT FDIC-INSURED
- * NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- * NOT GUARANTEED BY THE BANK

[Common Features](#)

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Main Street NOW

This is a demand deposit account with special checking privileges utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is an interest bearing account.

Requirements: \$1,000.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Main Street Monthly Fee: A Main Street monthly fee of \$7.00 will be imposed every statement cycle if the balance in the account falls below \$1,000.00 on any day within the cycle. Also, a service charge of \$6.00 will be imposed every statement cycle for the insurance plan provided.

ODP Limit: This account has a \$700 overdraft limit assigned after all eligibility requirements are satisfied.

Special Privileges:

- Accidental Death Insurance
 - 24-Hour Insurance \$5,000
 - Common Carrier \$50,000
 - Private Passenger Auto \$10,000
- No minimum balance and unlimited check writing
- 150 free personal standard checks with other styles at a reduced rate
- Cashiers and Travelers Checks issued without charge
- Safe Deposit Box at one-half price
- Other benefits include travel benefits, security benefits, and shopping benefits

Insurance products are:

- * NOT A DEPOSIT
- * NOT FDIC-INSURED
- * NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- * NOT GUARANTEED BY THE BANK

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Simple Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. Checks are not returned and no images are provided with the statement. This is a non-interest bearing account.

Requirements: \$25.00 to open the account. Any customer without an established portfolio is required to fill out an application.

ODP Limit: This account has a \$400 overdraft limit assigned after all eligibility requirements are satisfied.

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Non-Profit Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: Customer must be a non-profit organization. \$100.00 to open the account. Any customer without an established portfolio is required to fill out an application.

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Personal Money Market

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is an interest bearing account.

Requirements: \$2,500.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$7.00 will be imposed every statement cycle if the balance in the account falls below \$2,500.00 on any day within the cycle.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account at any time.

Determination of Rate: At our discretion, we may change the interest rate on your account.

Compounding and Crediting Frequency: Interest will be compounded every statement cycle. Interest will be credited to your account every statement cycle.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits: Interest begins to accrue on the business day you deposit noncash items (for example, checks).

Transaction Limitations: Transfers from a Money Market Deposit account to another account or to third parties by preauthorized, automatic, or telephone transfer are limited to six per statement cycle.

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Non-Personal Money Market

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is an interest bearing account.

Requirements: \$2,500.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$7.00 will be imposed every statement cycle if the balance in the account falls below \$2,500.00 on any day within the cycle.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account at any time.

Determination of Rate: At our discretion, we may change the interest rate on your account.

Compounding and Crediting Frequency: Interest will be compounded every statement cycle. Interest will be credited to your account every statement cycle.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits: Interest begins to accrue on the business day you deposit noncash items (for example, checks).

Transaction Limitations: Transfers from a Money Market Deposit account to another account or to third parties by preauthorized, automatic, or telephone transfer are limited to six per statement cycle.

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Small Commercial Checking

This is a demand deposit account utilizing preprinted checks and deposit tickets and receiving a monthly statement. This is a non-interest bearing account.

Requirements: \$500.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: A service charge of \$5.00 will be imposed every statement cycle if the balance in the account falls below \$1,000.00 on any day within the cycle.

ODP Limit: This account has a \$1500 overdraft limit assigned after all eligibility requirements are satisfied.

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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 Activity Printout	\$3.00
Account Research	\$12.50 per hour
Account Balancing Assistance	\$12.50 per hour
ATM / Debit Card Replacement	\$10.00
ATM / Debit Card Fees: A fee may be imposed by a bank other than Farmers State Bank when you use your ATM / Debit Card in their ATM and initiate a withdrawal, an electronic fund transfer or make a balance inquiry by any network used to complete the transaction.	
Cashier's Check	\$5.00
Check Printing	(fee depends on check style ordered)
Dormant Account: An account is dormant if for 12 months you have made no deposits or withdrawals to the account and you had no communication with us about your account.	
Dormant Account Fee: \$3.00 (Fee is waived if balance is greater than \$300.00). This fee is charged each month.	
Garnishments	\$50.00
Levies	\$50.00
Overdraft Fee For Each Presentment	\$25.00
This fee may be imposed for covering overdrafts each time one is created by check, in person withdrawal, ATM withdrawal, or other electronic means. A separate overdraft fee will be assessed each time the same item is resubmitted against insufficient funds.	
Daily Limit for Overdraft Fees	\$125.00
Photocopies	\$0.25 per page
Photocopies of Checks	\$3.00
Stop Payment - Checks	\$25.00
Stop Payment - Electronic Funds Transfer	\$25.00
Wire Transfers - Domestic (Incoming and Outgoing)	\$20.00
Wire Transfers - International (Incoming and Outgoing)	\$55.00

Non-Personal Accounts:

Fees Per Item		Analysis Charges			
		(On-Us Item Types)		(Deposits Item Types)	
Coin Wrap	0.12	Checks	0.17	On-Us	0.08
Currency/Strap	0.27	Deposits	0.27	Clearing	0.09
Food Coupons	0.02	Transfers	5.00	Transit	0.09
Deposit tickets	3.00				

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Savings

[Statement Savings](#)

[Christmas Club](#)

Statement Savings

This is a savings account utilizing preprinted deposit and withdrawal tickets and receiving a quarterly statement. This is an interest bearing account.

Requirements: \$100.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: On a Personal Statement Savings Account, a service charge of \$4.00 will be imposed every statement cycle if the balance in the account falls below \$300.00 on any day within the cycle.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account at any time.

Determination of Rate: At our discretion, we may change the interest rate on your account.

Compounding and Crediting Frequency: Interest will be compounded and credited to your account every month.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits: Interest begins to accrue on the business day you deposit noncash items (for example, checks).

Transaction Limitations: Withdrawals - an excessive withdrawal fee of \$3.00 will be charged for each withdrawal in excess of six during a statement cycle. Frequency of transfers - during any monthly statement cycle, you may not make more than six withdrawals or transfers to another account of yours or to a third party by means of a preauthorized or automatic transfer or telephone order or instruction.

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Christmas Club

This is a special savings account utilizing preprinted deposit tickets that is structured with a time frame to accommodate the holiday shopping season. This is an interest bearing account.

This account uses a specially designed coupon book that is used similar to a loan coupon book. The coupons do not specify an amount and may vary from \$1.00 up in even dollar increments. Coupon books contain 50 weekly payment coupons and may only be used for one year. At the end of the first week in November, interest is credited to the account and a check is printed for the balance of the account. At that time the account is closed, unless automatic transfer is requested from another account.

Requirements: Any customer without an established portfolio is required to fill out an application.

Account-Related Fees: None.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account at any time.

Determination of Rate: At our discretion, we may change the interest rate on your account.

Compounding and Crediting Frequency: Interest will not be compounded. Interest will be credited to your account at maturity.

Effect of closing an account: If you close your account before interest is credited, you will not receive the accrued interest.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits: Interest begins to accrue on the business day you deposit noncash items (for example, checks).

Transaction Limitations: You may make unlimited deposits into your account. If any withdrawal is made from this account before maturity then this account may be closed. You cannot withdraw interest from your account before maturity.

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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 Activity Printout	\$3.00
Account Research	\$12.50 per hour
Account Balancing Assistance	\$12.50 per hour
ATM / Debit Card Replacement	\$10.00
ATM / Debit Card Fees: A fee may be imposed by a bank other than Farmers State Bank when you use your ATM / Debit Card in their ATM and initiate a withdrawal, an electronic fund transfer or make a balance inquiry by any network used to complete the transaction.	
Cashier's Check	\$5.00
Check Printing	(fee depends on check style ordered)
Deposited Checks Returned Unpaid	\$7.00
Dormant Account: An account is dormant if for 12 months you have made no deposits or withdrawals to the account and you had no communication with us about your account.	
Dormant Account Fee: \$3.00 (Fee is waived if balance is greater than \$300.00). This fee is charged each month.	
Garnishments	\$50.00
Levies	\$50.00
Overdraft Fee For Each Presentment	\$25.00
This fee may be imposed for covering overdrafts each time one is created by check, in person withdrawal, ATM withdrawal, or other electronic means. A separate overdraft fee will be assessed each time the same item is resubmitted against insufficient funds.	
Returned Item Fee For Each Presentment	\$25.00
This fee applies each time a non-sufficient funds is created by check, in person withdrawal, ATM withdrawal, or other electronic means. A separate return item fee will be assessed each time the same item is resubmitted against insufficient funds.	
Daily Limit for Overdraft Fees and Returned Item Fees	\$125.00
Photocopies	\$0.25 per page
Photocopies of Checks	\$3.00
Stop Payment - Checks	\$25.00
Stop Payment - Electronic Funds Transfer	\$25.00
Wire Transfers - Domestic (Incoming and Outgoing)	\$20.00
Wire Transfers - International (Incoming and Outgoing)	\$55.00

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Certificates

[Certificates](#)

[Retirement Accounts
\(IRAs\)](#)

Certificates

This is an automatically renewable time account. This is a one-time deposit account that may not be added to.

Requirements: \$1,000.00 to open the account. Any customer without an established portfolio is required to fill out an application.

Service Charges: None.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account each time it matures.

Compounding and Crediting Frequency: Interest will be compounded quarterly to your account unless you select another option.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Transaction Limitations: You may not make additional deposits into your account.

Early withdrawal penalties (a penalty may be imposed for withdrawals before maturity): The penalty we will impose is the greater of:

- 7 day's interest on the amount withdrawn if the withdrawal is made within the first 6 days after the deposit.
- three month's interest on the amount of the withdrawal.

Automatically renewable time account: This account will automatically renew at maturity.

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Retirement Accounts (IRAs)

This is an automatically renewable time savings account for the purpose of saving for retirement. This account has special IRS guidelines. This is a one-time deposit account that may not be added to.

Whatever your retirement need is, we have the retirement account that is right for you. We offer Individual, Spousal, SEPs, QRPs, Beneficiary, Roth, Education and SIMPLE plans. Simply see any of our IRA representatives. They will explain the nature of these accounts in more detail and help you complete the simple forms necessary to establish your IRA.

Requirements: Any customer under age 70 1/2 for the entire tax year and have compensation, is eligible to establish an IRA, even if they already participate in any type of government plan, tax-sheltered annuity, simplified employee pension (SEP) plan, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE), or qualified plan (*pension or profit sharing*) established by an employer. \$1,000.00 is required to open the account. Any customer without an established portfolio is required to fill out an application.

Service Charges: None.

Rate Information: Your interest rate and annual percentage yield may change.

Frequency of Rate Changes: We may change the interest rate on your account each time it matures.

Compounding and Crediting Frequency: Interest will be compounded quarterly to your account.

Daily Balance Computation Method: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Transaction Limitations: You may not make additional deposits into your account.

Early withdrawal penalties (a penalty may be imposed for withdrawals before maturity): The penalty we will impose is the greater of:

- 7 day's interest on the amount withdrawn if the withdrawal is made within the first 6 days after the deposit.
- three month's interest on the amount of the withdrawal.

The customer may also be assessed a 10% tax penalty by the Internal Revenue Service. The penalty may be waived if the customer has reached age 59 1/2.

Automatically renewable time account: This account will automatically renew at maturity.

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

Account Activity Printout	\$3.00
Account Research	\$12.50 per hour
Account Balancing Assistance	\$12.50 per hour
ATM / Debit Card Replacement	\$10.00
ATM / Debit Card Fees: A fee may be imposed by a bank other than Farmers State Bank when you use your ATM / Debit Card in their ATM and initiate a withdrawal, an electronic fund transfer or make a balance inquiry by any network used to complete the transaction.	
Cashier's Check	\$5.00
Check Printing	(fee depends on check style ordered)
Deposited Checks Returned Unpaid	\$7.00
Dormant Account: An account is dormant if for 12 months you have made no deposits or withdrawals to the account and you had no communication with us about your account.	
Dormant Account Fee: \$3.00 (Fee is waived if balance is greater than \$300.00). This fee is charged each month.	
Garnishments	\$50.00
Levies	\$50.00
Overdraft Fee For Each Presentment	\$25.00
This fee may be imposed for covering overdrafts each time one is created by check, in person withdrawal, ATM withdrawal, or other electronic means. A separate overdraft fee will be assessed each time the same item is resubmitted against insufficient funds.	
Returned Item Fee For Each Presentment	\$25.00
This fee applies each time a non-sufficient funds is created by check, in person withdrawal, ATM withdrawal, or other electronic means. A separate return item fee will be assessed each time the same item is resubmitted against insufficient funds.	
Daily Limit for Overdraft Fees and Returned Item Fees	\$125.00
Photocopies	\$0.25 per page
Photocopies of Checks	\$3.00
Stop Payment - Checks	\$25.00
Stop Payment - Electronic Funds Transfer	\$25.00
Wire Transfers - Domestic (Incoming and Outgoing)	\$20.00
Wire Transfers - International (Incoming and Outgoing)	\$55.00



Safe Deposit Boxes

We have a wide variety of sizes of Safe Deposit Boxes at each of our three locations. Whether you need a small box or a very large box, we have the right one for you. Billing is done annually and you may elect to have the charge be automatically debited from your checking or savings account. Annual charges range from \$15.00 to \$400.00 based on the size of the box you need. If you have a [Main Street Checking](#) account, the rent on most of our boxes is half price.

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ATM

We have a drive-up ATMs located at our:

- Main Office, 100 West Main Street, Mountain City, TN,
- 421 Branch, 889 South Shady Street, Mountain City, TN, and
- Butler Branch, 130 Main Street, Butler, TN.

They give you 24-hour access to your checking and savings accounts. You may use the ATMs to conveniently make withdrawals or transfers between different accounts. There is no charge to current customers for using the ATM, but a \$3.00 charge is applied to all non-customer transactions.

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ATM and Debit Cards

With our VISA Check Card you can make purchases and transactions that are automatically debited from your checking account with no annual fee or transaction charges. Conveniently use it anytime you would write a check.

Daily Limits

	<u>ATM Card</u>	<u>Personal Debit Card</u>	<u>Business Debit Card</u>
ATM Withdrawals	\$505	\$505	\$505
Point-of-sale (POS) - PIN-based	\$500	\$1,200	\$2,500
Combined ATM and POS transactions	\$505	\$1,705	\$2,505
Credits - Signature-based *	N/A	\$1,000	\$2,500
Maximum daily expenditure **	\$505	\$2,705	\$5,005

During a calendar day, each card can be "swiped" 15 times at ATMs or 20 times at POS terminals, but the overall total number of "swipes" can not exceed 25.

* Up to a 3-day hold can be placed on funds for transactions run as credits.

** Based on account balance, cardholders may spend up to their combined daily limits for 'Combined ATM and POS' + 'Credit' transactions.

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Telephone Banking

Simply by using a touch-tone phone, you can access your Farmers State Bank accounts anytime, anywhere with complete privacy—all at no charge.

Phone from your home, office, car, or while away on vacation, anytime — 24 hours a day! Call 423-727-1742 or toll free 844-813-1177. Your initial PIN is typically the last 4 digits of your Tax Id.

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Online Banking

By using a browser on a PC or a mobile device with an Internet connection, you can securely access your Farmers State Bank accounts anytime, anywhere at no charge. You can view balances, check images, statements, transfer funds, or make payments. Visit <https://www.FSBankMCTN.com> to log in or learn more.

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Mobile Banking

By using an Android or Apple mobile device with an Internet connection, you can securely access your Farmers State Bank accounts anytime, anywhere at no charge. You can view balances, check images, statements, transfer funds, or make payments. For Android devices, go to Google Play. For Apple devices, go to the App Store. Search for 'Farmers State Bank TN'.

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Bill Pay (CheckFree RXP)

CheckFree transactions can be up to \$999,999.99 (default) based on actual account balance. International payments are not permitted.

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Zelle

Funds Transfer Limits							
Service	Remaining (max available for a transaction)	Daily Limit	Daily Available	Outstanding Limit	Outstanding Available	Monthly Limit	Monthly Available
Services Within Group Limits							
Group: SendMoneyStandard	\$1,000.00	\$1,000.00	\$1,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Send Money Next Day							
Send Money Standard							
Group: PayRequestService	\$1,000.00	\$1,000.00	\$1,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Consumer Pay Request							
Consumer Pay Request Next Day							
Group: P2PStandard	\$1,000.00	\$1,000.00	\$1,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
P2P Next Day							
P2P Standard							
Service Without Group Limits							
Consumer Pay Request Priority	\$1,000.00	\$1,000.00	\$1,000.00	N/A	N/A	\$3,000.00	\$3,000.00
Instant	\$1,000.00	\$1,000.00	\$1,000.00	N/A	N/A	\$3,000.00	\$3,000.00
Segment	\$3,000.00	N/A	N/A	\$3,000.00	\$3,000.00	\$6,000.00	\$6,000.00

Note: There are daily and 30-day (rolling) calendar limits for Zelle® transactions.

If a recipient isn't enrolled in Zelle® within **14 days**, any pending payment will expire, and the sent funds will be returned to the sender's account.

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Mobile Deposits

Mobile Deposits can be up to \$1,500 per item and/or up to \$1,500 per day. Approved exceptions do apply.

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LOAN PRODUCTS

Loan Fees**

Deed of Trust - 80% max. LTV unless otherwise noted - 30 year max. amortization unless otherwise noted	
61 Mos. ARM Non-Primary Residential RE (Available for DW with a 75% max. LTV and a 25 yr. max. amort.)	
7 Yr - Non-Primary Residential R/E	
1 Yr - Res. D/T Term note with int. monthly (1st / 2nd Mtg) R/E	
62 mo. - Residential D/T (1st Mtg) R/E	
12 mo to 62 mo- 2nd Mtg Residential D/T (max. amort. 15 yrs - \$40,000 max. amt.) R/E	
7 Yr - Residential D/T (1st Mtg) R/E	
62 mo. - Imp. Double Wide M/H with 1st D/T - 75% max. LTV - 25 yr. max. amort. R/E	
61 Mos. ARM (Available for DW with a 75% max. LTV and a 25 yr. max. amort.) R/E	
120 Mos / 5 yr ARM (Available for DW with a 75% max. LTV and a 25 yr. max. amort.) R/E	
Construction (Consumer & Commercial - Use Relationship Pricing Tab)	
1 Yr - Construction - Residential D/T R/E	
1 Yr - Construction D/T- Comm., Spec., etc. R/E	
Consumer-Purpose Land Only - 65% max. LTV - 20 year max. amortization R/E	
1 Yr - Land Only Term note with int. monthly (1st Lien Only) R/E	
5 yr - Land Only R/E	
61 Mos. ARM (1st Lien Only) R/E	
Commercial Real Estate Secured - Permanent Financing (Use Comm'l RE Relationship Pricing Tab)	
61 Mo. Adjustable (unimproved, vacant, farmland, and improved properties)	
7 Year Adjustable (unimproved, vacant, farmland, and improved properties)	
Up to 3 Year Land Development Fixed Rate	
Line of Credit (follow LTV guidelines above for real estate secured)	
Personal Secured Line of Credit - Fixed - 12 month term	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Personal Unsecured Line of Credit - Fixed - 12 month term	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Real Estate Line of Credit - Fixed - 36 mo. max term - including HELOCs in personal names	Go by the RE fees above
Consumer Loans (secured installment = by collateral other than auto including boats, motorcycles, ATVs, equipment, etc.)	
Secured - 12 months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Secured - 24 months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Secured - 36 months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Secured - 48 months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Unsecured - 12 Months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Unsecured - 24 Months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Unsecured - 36 Months installment - consumer	\$0 for \$1,000, \$85 for \$1001 - \$2,499, and \$100 if loan amt. \$2,500 or more
Secured - 6 mo. term	\$50 fee
Unsecured - 6 mo. term	\$50 fee
Secured - 1 yr term	\$50 fee
Unsecured - 1 yr term	\$50 fee
***** Term loans \$1,000 - refer to regulatory limits	
Autos Installment/Term - Max. Amount is 80% of Retail Value from NADA.com	
New - 12 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
New - 24 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
New - 36 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
New - 48 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
New - 60 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
New - 72 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
New - M/H Only - 72 months - with balloon	\$185 or if loan amount \$1,000 or less fee is \$50
1 yr - 12 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
1 yr - 24 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
1 yr - 36 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
1 yr - 48 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
1 yr - 60 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
2 - 3 yr - 12 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
2 - 3 yr - 24 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
2 - 3 yr - 36 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
2 - 3 yr - 48 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
4 - 5 yr - 12 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
4 - 5 yr - 24 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
4 - 5 yr - 36 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
4 - 5 yr - 48 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
6 yr+ - 12 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
6 yr+ - 24 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
6 yr+ - 36 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
6 yr+ - 48 months - Auto	\$185 or if loan amount \$1,000 or less fee is \$50
Term Loan = \$1000	
**No 21% Post Maturity Interest & No Demand Feature	
Deposit Secured Loan - Max. LTV is 95% of deposit balance*	\$30 (lower if needed for APR)

OTHER LOAN RELATED FEES

Late Charges - Varies by loan type and state
 UCC Filing Fees/Recording Fees
 Venders Single Interest Insurance (applicable to vehicle secured loans)

ESTIMATED RANGE

5% of the loan amount.
 Varies by Loan Amount
 \$50

NOTE: Real Estate secured loans may incur fees for real estate appraisals or evaluations, credit report fees, flood determinations, title searches, title insurance, other title-related items, construction inspections, surveys, recording fees, various taxes, hazard/flood insurance, and other items.

Varies by location, property type, and loan type. Specific fee estimates are included on early disclosures when applicable.