



## **PUBLIC DISCLOSURE**

March 14, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Merchants Bank, National Association  
Charter Number 14488

102 East Third Street  
Winona, MN 55987

Office of the Comptroller of the Currency

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Minneapolis, MN 55402-3393

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

**Table of Contents**

**OVERALL CRA RATING ..... 2**

**DEFINITIONS AND COMMON ABBREVIATIONS ..... 3**

**DESCRIPTION OF INSTITUTION ..... 7**

**SCOPE OF THE EVALUATION..... 7**

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW..... 9**

    MULTISTATE METROPOLITAN AREA LA CROSSE, WI-MN ..... 10

**STATE RATING ..... 18**

    STATE OF MINNESOTA ..... 18

**STATE RATING ..... 25**

    STATE OF WISCONSIN ..... 25

**APPENDIX A: SCOPE OF EXAMINATION ..... A-1**

**APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS..... B-1**

**APPENDIX C: MARKET PROFILES FOR FULL-SCOPE AREAS ..... C-1**

**APPENDIX D: TABLES OF PERFORMANCE DATA ..... D-1**

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of Merchants Bank, National Association with respect to the Lending, Investment, and Service Tests:

Performance Levels	Merchants Bank NA Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	x		
High Satisfactory			
Low Satisfactory			x
Needs to Improve			
Substantial Noncompliance		x	

\* The lending Test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Merchants’ overall performance in the Lending Test is rated Outstanding.
  - Lending levels in the state of Minnesota and the La Crosse Multistate Metropolitan Statistical Area (MSA) reflect excellent responsiveness in relation to credit needs and deposit market share, and the state of Wisconsin reflects good lending level performance.
  - The distribution of loans originated and purchased during the Lending Test evaluation period to borrowers of different income levels is excellent. The bank had excellent performance in the state of Minnesota and the La Crosse Multistate MSA and good performance in the state of Wisconsin. Merchants’ performance in the state of Minnesota carried the most weight given its significance to the bank in the overall volume of loans and deposits.
  - Merchants’ overall geographic distribution of loans originated and purchased during the evaluation period is adequate. The bank had adequate performance in the Wisconsin and adequate performance in the La Crosse Multistate MSA.
- Merchants’ overall performance in the Investment Test is rated Substantial Noncompliance. The bank had very poor performance in the states of Minnesota, Wisconsin, and the La Crosse Multistate MSA. In all AAs the level of investment was low in relation to Merchants’ resources and capacity, and the needs identified by members of the community.
- Merchants’ Service Test performance is rated Low Satisfactory. Merchants’ service delivery systems are reasonably accessible to geographies and individuals of different income levels. In the state of Minnesota and the La Crosse Multistate MSA, employees demonstrated adequate participation in organizations that provide community development services to low- and moderate-income people within the assessment areas (AAs), but demonstrated poor participation in the state of Wisconsin.

## Definitions and Common Abbreviations

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

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

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

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

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

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

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

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

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

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

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

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

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

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine

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

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

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

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

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

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

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

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

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

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

**Rated Area:** A rated area is a state or 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.

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

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

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

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

## Description of Institution

Merchants Bank, National Association (Merchants) is an interstate bank headquartered in Winona, Minnesota. The bank is the sole subsidiary of Merchants Financial Group, Inc., a private bank holding company also located in Winona. The bank has operations in southeastern Minnesota and southwestern Wisconsin. Merchants has a commercial leasing subsidiary, Merchants Bank Equipment Finance, located in Minneapolis, Minnesota.

Merchants operates 25 branches throughout its market area with 23 branches in Minnesota and two in Wisconsin. During the evaluation period from January 1, 2012, to December 31, 2015, Merchants acquired two full service branches in Minnesota and one in Wisconsin. Both of the new branches in Minnesota are in the Rochester MSA. The Wisconsin branch is in the Eau Claire MSA, which the bank added to their AA. One new limited service branch was opened in Minnesota in the MN Non-MSA AA.

As of December 31, 2015, Merchants had total assets of \$1.6 billion, Tier One Capital of \$161 million, and a Tier 1 Leverage Ratio of 10.46 percent. Net loans and leases totaled \$1.2 billion, or 75 percent of total assets and 100 percent of total deposits. The loan portfolio is comprised of commercial loans including commercial real estate (57 percent), residential real estate loans (15 percent), agricultural loans (12 percent), consumer loans (8 percent), leases (7 percent), and credit cards (1 percent).

Merchants is a full service financial institution offering a wide variety of loan and deposit products and services to both retail and commercial customers. The institution's primary focus is commercial lending, home mortgage lending, and agricultural lending. Merchants is a Small Business Administration (SBA) preferred lender, SBA Express Lender, and a Farm Service Agency (FSA) preferred lender.

There are no known financial or legal impediments that would affect Merchants ability to meet the credit needs within its communities.

The last CRA performance evaluation was conducted February 25, 2013, using the CRA Examination Procedures for an Intermediate Small Bank and resulted in an "Outstanding" rating. Merchants is now being reviewed using the CRA Examination Procedures for Large Banks due to growth in the bank's asset size.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

#### Lending Test

The Lending Test, including community development (CD) lending, is for activity beginning January 1, 2012, through December 31, 2015 (evaluation period), and is based primarily on activity in the MN Non-MSA AA, the La Crosse Multistate MSA AA located in Minnesota and Wisconsin, and the Eau Claire MSA AA located in Wisconsin. The evaluation of this data was completed using two separate analysis periods due to changes in Merchants AA and changes in census and metropolitan area geographies which became effective January 1, 2014. As such, the Lending Tests for the MN Non-MSA AA and the La Crosse Multistate MSA AA combine the years of 2012-2013 and 2014-2015. The Eau Claire MSA AA was only evaluated from February 14, 2014, through December 31, 2015, as the branch was acquired on February 14, 2014.

To perform our analysis, we used home mortgage loan information and small business and small farm loan data collected and reported by Merchants. The 2012, 2013, 2014, and 2015 Home Mortgage Disclosure Act (HMDA) data was evaluated using 2010 census data.

Residential mortgage loans represented the largest portion of lending activity during the evaluation period with 8,685 loans originated or purchased totaling \$1.3 billion. These accounted for 67 percent by number and 73 percent by dollar volume of the loans evaluated. Small loans to businesses accounted for 2,738 loans originated or purchased, totaling nearly \$353 million. Small loans to farms during the evaluation period accounted for 1,516 loans originated or purchased and totaled nearly \$145 million. Residential mortgage loans were also the predominant loan products in the Minnesota AAs, the Wisconsin AA, and the La Crosse Multistate MSA. As a result, performance of these loans received the most weight in these areas.

In some instances, there were very few loans of a certain loan type originated or purchased in an AA. When there were fewer than five loans of a certain type, no analysis was performed. Performance for that loan type would not have been material in the bank's overall performance.

In our analysis of geographic distribution, we reviewed the distribution of loans within the low- and moderate-income areas in the bank's AAs. We then assessed whether there were any unexplained gaps in lending in any geographic areas within the AAs.

In our analysis of borrower distribution, we considered the level of poverty in each AA and the impact it could have on the ability of low- and moderate-income families to obtain loans. Similarly, we considered housing costs relative to area incomes and the limiting affects those costs could have on the demand for loans by lower-income families. Refer to *Appendix C: Market Profiles* for poverty levels and housing costs for each full-scope AA.

For analysis purposes, we placed more weight on the lending activity from 2012 through 2013 for the MN Non-MSA AA, the La Crosse Multistate MSA AA, and the Minneapolis MSA AA, as this represented more loan originations and purchases overall. More weight was placed on the lending activity in 2014 through 2015 for the Rochester MSA AA, as this time period represented more loan originations and purchases overall.

#### Investment Test

The evaluation period for the Investment Test was January 1, 2012, through December 31, 2015. We gave additional consideration to the responsiveness of donations and investments to identified community development needs. We also considered investments made during prior evaluation periods that remain outstanding, although they received less consideration in this evaluation.

#### Service Test

The evaluation period for the Service Test was January 1, 2012, through December 31, 2015. We primarily considered Merchants' range of products and services offered by the branches as well as the location of branches and deposit taking ATMs. We also considered the CD services Merchants provides in its AAs.

## Data Integrity

Prior to starting this CRA evaluation, we reviewed the accuracy of Merchant's HMDA and small business loan data. We found the data to be reliable and it was used for this evaluation. During this evaluation, we also confirmed the CD loans, investments, and services that had the primary purpose of community development in order to include in our analysis.

## Selection of Areas for Full-Scope Review

In each state where the bank has an office, we selected one AA for a full-scope review. The AAs selected were based on the highest number of branches and highest volume of deposits within that state. As a result, the MN Non-MSA, La Crosse Multistate MSA, and the Eau Claire MSA were selected for a full-scope review. Refer to the *Scope of Examination* (Scope) section under each state for details regarding how the areas were selected.

## Ratings

The bank's overall rating is a blend of the multistate MSA rating and state ratings. We placed greater weight on the bank's performance in the areas from which it derives its greatest volume of deposits. As a result, we placed the most weight on performance in the MN Non-MSA AA, from which the bank derives 48 percent of its deposits. The deposit percentages of the other AAs are 19 percent for the Minneapolis MSA, 17 percent from the La Crosse MSA, 11 percent for Rochester MSA, and five percent from the Eau Claire MSA. Refer to the Scope section under each state for details regarding how the areas were weighted in arriving at the respective ratings. Please also refer to *Appendix A: Scope of Examination* for more information.

The multistate MSA rating and state ratings are based primarily on those areas that received full-scope reviews. Refer to the Scope section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## Inside/Outside Ratio

Merchants' ratio of lending inside its AAs is adequate. Merchants originated or purchased 49 percent of loans inside its AAs across all states and considering all products. This low volume is deceiving due to the high number of correspondent loans originated in a program offered by Merchants. Excluding these correspondent loans, 72 percent of all loan types were originated within Merchants' AAs. When considering mortgage loans only, Merchants originated or purchased 70 percent of its mortgage loans within its AAs.

## Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## Multistate Metropolitan Area La Crosse, WI-MN

### CRA rating for the La Crosse, WI-MN Multistate MSA<sup>1</sup>: Satisfactory

The lending test is rated: Outstanding

The investment test is rated: Substantial Noncompliance

The service test is rated: Low Satisfactory

The major factors that support this rating include:

- Outstanding rating for the Lending Test in the La Crosse Multistate MSA is based on the excellent overall borrower income distribution in the AA, excellent lending activity, adequate overall geographic distribution, and positive CD lending.
- Substantial Noncompliance performance under the Investment Test is based on the very poor level of qualified CD investments given the bank's resources and capacity.
- Low Satisfactory for the Service Test is based on the adequate dispersion of branches and accessibility to products and services as well as the adequate level of CD services.

### Description of Institution's Operations in La Crosse, WI-MN Multistate MSA

Merchants has one AA in the La Crosse, WI-MN Multistate MSA. Merchants' La Crosse Multistate MSA operations account for 17 percent of the bank's total deposits as of June 30, 2015. Based on 2010 census information, the La Crosse Multistate MSA was comprised of 30 CTs with one low-income CT, four moderate-income CTs, 20 middle-income CTs, and five upper-income CTs.

In the La Crosse Multistate MSA, the bank has four full-service branches and three deposit taking ATMs. None of the branches or ATMs are located in low- or moderate-income CTs.

In the La Crosse Multistate MSA, the bank had \$214 million in deposits as of the June 30, 2015, FDIC Deposit Market Share Report. Merchants had a market share of 8.77 percent and ranked fifth out of 17 institutions operating in the AA. The bank's primary competitor is Wells Fargo Bank, N.A., which ranked first, and held 14 percent of the market share.

Refer to *Market Profile* in *Appendix C* for detailed demographic and other performance context information for the AAs that received full-scope review.

### Scope of Evaluation in La Crosse, WI-MN Multistate MSA

The La Crosse Multistate MSA is Merchants' only AA in the rated area and thus received a full-scope review. As such, the ratings are based solely on results of the bank's performance in the La Crosse Multistate MSA. The AA is made up of the entire counties of La Crosse, WI and Houston, MN.

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<sup>1</sup> This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Ratings assigned are based primarily on the results of the AAs that received full-scope reviews. Please refer to *Appendix A: Scope of the Examination* for more information.

For this evaluation, we considered information provided from one community organization located in the AA. The organization is primarily focused on economic development and small business lending. Information obtained is included in the *Market Profile* section in *Appendix C*.

## **LENDING TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Lending Test in the La Crosse Multistate MSA is rated Outstanding. Based on the full-scope review, the bank's performance in the La Crosse Multistate MSA is excellent.

### **Lending Activity**

For the facts and data used to evaluate the bank's lending activity, refer to **Table 1 Lending Volume** in **Appendix D** under the La Crosse Multistate MSA AA for both analysis periods.

Lending levels reflects excellent responsiveness in relation to area credit needs and the bank's deposit market share during the evaluation period.

In 2012-2013, Merchants originated and purchased 229 loans to small businesses totaling \$26 million. The bank ranked first out of 35 lenders with a market share of 24.86 percent. In 2014-2015, Merchants originated and purchased 334 loans to small businesses totaling \$47 million. The bank ranked first out of 39 lenders with a market share of 21.92 percent.

For mortgage loans, in 2012-2013, Merchants ranked second with a market share of 8.44 percent out of 177 lenders reporting HMDA data. This represents 975 reportable home mortgage loans at \$130 million. In 2014-2015, Merchants again ranked second with a market share of 7.77 percent out of 154 lenders reporting HMDA data. This represents 604 reportable home mortgage loans at \$93 million.

For small farm loans originated and purchased during 2012-2013, Merchants had a market share of 67.13 percent totaling \$7 million or 101 loans. Merchants ranked first out of nine lenders in the AA reporting small farm data. In 2014-2015, Merchants had a market share of 68.70 percent totaling \$14 million or 148 loans. Merchants again ranked first in the AA out of 11 lenders in the AA reporting small farm data.

### **Distribution of Loans by Income Level of the Geography**

The overall geographic distribution of loans in the La Crosse Multistate MSA AA is adequate.

### ***Home Mortgage Loans***

Refer to **Tables 2, 3, 4, and 5** in **Appendix D** under the La Crosse Multistate MSA AA for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The overall geographic distribution of home mortgage loans is good.

#### *Home Purchase Loans*

Merchants' geographic distribution of home purchase loans in the La Crosse Multistate MSA AA is excellent. Home purchase loans to borrowers in low-income CTs exceeded the owner-occupied housing units of the AA for the entire evaluation period. In 2012-2013, home purchase loans in moderate-income tracts were lower than the percentage of owner-occupied housing in the AA. In 2014-2015, home purchase loans exceeded the owner-occupied housing units in the AA in the low- and moderate-income CTs.

Merchants' market share for low-income geographies exceeded its overall market share for the entire evaluation period. Merchants' market share for moderate-income geographies in 2012-2013 was lower than its overall market share, but in 2014-2015, it was only somewhat lower than the overall market share.

#### *Home Refinance Loans*

Merchants' geographic distribution of home refinance loans in the La Crosse Multistate MSA AA is good. Merchants' home refinance loans to borrowers in low-income CTs exceeded the owner-occupied housing units in the AA for the entire evaluation period. In moderate-income CTs during 2012-2013, Merchants' home refinance loans to borrowers were lower than the owner-occupied housing units in the AA. In 2014-2015, Merchants' home refinance loans exceeded the volume of owner-occupied housing units in the AA.

In 2012-2013, Merchants' market share for low-income geographies exceeded its overall market share, but was lower than its overall market share for moderate-income geographies. In 2014-2015, Merchants' market share for both low- and moderate-income geographies was lower than its overall market share.

#### *Home Improvement Loans*

Merchants' geographic distribution of home improvement loans in the La Crosse Multistate MSA AA is adequate. In 2012-2013, home improvement loans to borrowers in both low- and moderate-income census tracts were lower than the owner-occupied housing units in the AA. In 2014-2015, home improvement loans to borrowers in both low- and moderate-income geographies exceeded the owner-occupied housing units in the AA.

In 2012-2013, Merchants' market share for both low- and moderate-income geographies was lower than its overall market share. In 2014-2015, Merchants' market share for both low- and moderate-income geographies exceeded its overall market share.

#### *Multi-Family Loans*

Merchants' geographic distribution of multi-family loans in the AA is excellent. In 2012-2013, multi-family loans to borrowers in both low- and moderate-income census tracts exceeded the owner-occupied housing units in the AA. In 2014-2015, multi-family loans to borrowers in low-income geographies

exceeded the owner-occupied housing units in the AA; however, loans to borrowers in moderate-income geographies were lower than the owner-occupied housing in the AA.

In 2012-2013, Merchants' market share for both low- and moderate-income geographies exceeded its overall market share. In 2014-2015, Merchants' market share for low-income geographies exceeded its overall market share and was near its overall market share in moderate-income geographies.

### ***Small Loans to Businesses***

Refer to **Table 6** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of Merchants' loans to small businesses in the La Crosse Multistate MSA AA is poor.

In the La Crosse Multistate MSA AA, Merchants' loans to small businesses in the low- and moderate-income geographies was lower than the percentage of businesses located in those geographies during the entire evaluation period. Merchants' market share in low- and moderate-income geographies was near its overall market share for small loans to businesses for the entire evaluation period.

### ***Small Loans to Farms***

Refer to **Table 7** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of Merchants' small loans to farms is very poor.

During the entire evaluation period, there were no farms reporting income in the one low-income CT in the La Crosse Multistate MSA AA. Merchant's made zero small loans to farms in the moderate-income CTs in 2012-2103, and the percentage of small loans to farms in moderate-income CTs in 2014-2105 was lower than the percentage of farms located in those geographies. In addition, Merchants' market share in the moderate-income geographies was significantly lower than its overall market share for small loans to farms.

### ***Lending Gap Analysis***

Our geographic distribution analysis included a review of lending gaps, particularly in low- and moderate-income areas. We did not identify any unexplained conspicuous gaps in the La Crosse Multistate MSA AA.

### **Distribution of Loans by Income Level of the Borrower**

The overall borrower distribution of loans in La Crosse Multistate MSA AA is excellent.

### *Home Mortgage Loans*

Refer to **Tables 8, 9, and 10** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution in the La Crosse Multistate MSA AA reflects excellent penetration among home mortgage loan customers of different income levels.

### *Home Purchase Loans*

Merchants' borrower distribution of home purchase loans is excellent. Merchants' distribution of home purchase loans to low-income borrowers was near the demographic in 2012-2013, but exceeded the percentage of moderate-income families in the AA. In 2014-2015, home purchase loans to low-income families were lower than the demographics of the AA; however, exceeded the demographic for moderate-income borrowers. Merchants' market share for both low and moderate-income borrowers was near the market share in 2012-2013, but exceeded its overall market share in 2014-2015.

### *Home Refinance Loans*

Merchants' borrower distribution of home refinance loans is excellent. Merchants' distribution of home refinance loans to low-income borrowers in 2012-2013 was comparable to the percentage of low-income families in the AA. Home refinance loans to moderate-income families exceeded the demographics of the AA in 2012-2013. In 2014-2015, Merchants' distribution of home refinance loans to low-income borrowers was also comparable to the percentage of low-income families in the AA, yet exceeded the demographics to moderate-income families. Merchants' market share for low- and moderate-income borrowers exceeded or was near its overall market share for both 2012-2013 and 2014-2015.

### *Home Improvement Loans*

Merchants' borrower distribution of home improvement loans is good. Merchants' distribution of home improvement loans to low-income borrowers in 2012-2013 was comparable to the percentage of low-income families in the AA, and exceeded the demographics to moderate-income families. In 2014-2015, home improvement loans to low-income borrowers was significantly lower than the percentage of low-income families in the AA, yet exceeded the demographics to moderate-income families.

Merchants' market share in 2012-2013 for low-income borrowers was significantly lower than its overall market share for home improvement loans, yet exceeded its market share for moderate-income borrowers. In 2014-2015, Merchants' exceeded its market share for low income-borrowers, but was lower than its overall market share for moderate-income borrowers.

### *Small Loans to Businesses*

Refer to **Table 11** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The distribution of borrowers in the La Crosse Multistate MSA AA reflects excellent penetration among businesses of different sizes.

In 2012-2013, Merchants' small loans to businesses exceeded the percentage of small businesses in the AA. In 2014-2015, the percentage of small loans to businesses was near the percentage of small businesses in the AA. Merchants' market share of small loans to businesses exceeded its overall market share for the entire evaluation period.

### *Small Loans to Farms*

Refer to **Table 12** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

Borrower distribution in the La Crosse Multistate MSA AA reflects excellent penetration among farms of different sizes.

In 2012-2013, Merchants' percentage of small loans to farms was near the percentage of small farms in the AA. In 2014-2015, the percentage of small loans to farms was comparable to the percentage of small farms in the AA. Merchants' market share for small loans to farms exceeded its overall market share for the entire evaluation period.

### **Community Development Lending**

Refer to **Table 1 Lending Volume** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the bank's level of CD lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, **Table 5** includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

CD lending had a positive impact on the lending performance in the La Crosse Multistate MSA AA. Merchants originated five CD loans in the La Crosse Multistate MSA AA during the evaluation period totaling approximately \$4 million. The loans were made to support affordable housing or other services to benefit low- and moderate-income individuals.

### **Product Innovation and Flexibility**

No loans originated in the La Crosse Multistate MSA AA were considered to be innovative or flexible.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test in La Crosse Multistate MSA AA is rated Substantial Noncompliance. Based on full-scope reviews, the bank's performance in the La Crosse Multistate MSA AA is very poor.

Refer to **Table 14** in the La Crosse Multistate Metropolitan Area section of **Appendix D** for the facts and data used to evaluate the bank's level of qualified investments.

During the evaluation period, Merchants made 27 monetary contributions to organizations that provided services to low- and moderate-income individuals. These contributions totaled approximately \$36 thousand. Merchants' largest donation during the evaluation period was in 2014 for \$11,020 to the Hunger Task Force of La Crosse. According to our community contact, there are many opportunities in the AA where financial institutions may participate. For example, the city of La Crosse has the highest per capita poverty rate in the state of Wisconsin. As a result, state and federal funded social services for low- and moderate-income individuals may be over-burdened, and financial institutions may assist to relieve that burden.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the service test in La Crosse Multistate MSA AA is rated Low Satisfactory. Based on full-scope reviews, the bank's performance in the La Crosse Multistate MSA AA is adequate.

### **Retail Banking Services**

Refer to **Table 15** in the La Crosse Multistate MSA AA section of **Appendix D** for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Merchants operates four branches in the La Crosse Multistate MSA AA, which represents 100 percent of its branches in the AA. All four branches are located in middle-income CTs. The La Crosse Multistate MSA AA had one low-income CT and four moderate-income CTs during the evaluation period. One of the branches is adjacent to two of the moderate-income CTs in the AA. The percentage of branches in low- and moderate-income tracts (zero percent) is lower than the populations residing in those tracts.

Merchants' delivery systems are reasonably accessible to essentially all portions of the institutions AA. All locations within the AA offer extended drive-up hours on Fridays and drive-up hours on Saturdays. Services do not vary in a way that inconveniences portions of the AAs, particularly low- and moderate-income geographies and individuals.

Merchants has three deposit-taking ATM in the La Crosse Multistate MSA AA which are located in a middle-income CTs. One ATM in the La Crosse Multistate MSA AA is adjacent to two moderate-income CTs.

Merchants' record of opening and closing branches does not adversely affect the accessibility of its delivery systems, particularly to low- or moderate-income geographies or to low- and moderate-income individuals. The bank did not open or close any branches in the La Crosse Multistate MSA AA during the evaluation period.

Availability of alternative delivery systems for delivery of retail banking services to low- and moderate-income geographies and individuals is reasonably accessible. Merchants' offers alternative delivery systems including mobile and online banking.

## **Community Development Services**

The bank's level of CD services is adequate. This assessment is based on the opportunities in the AA and the types of organizations that benefit from the services provided.

Merchants' employees provided an adequate level of CD services in the La Crosse Multistate MSA AA. Merchant employees worked with six CD organizations where two of the employees served in a leadership capacity. For example, one employee served as a Treasurer and Board member for the Hunger Task Force of La Crosse.

Merchants' provided an adequate level of CD services in the AA. The six organizations with which employees worked provided a variety of services to low- and moderate-income individuals and promoted economic development.

## State Rating

### State of Minnesota

#### CRA Rating for Minnesota<sup>2</sup>: Satisfactory

**The lending test is rated: Outstanding**

**The investment test is rated: Substantial Noncompliance**

**The service test is rated: Low Satisfactory**

The major factors supporting each of these ratings for the State of Minnesota are:

- The Outstanding rating for the Lending Test in Minnesota is based on the excellent overall borrower income distribution and the excellent lending activity in the AAs.
- Substantial Noncompliance performance under the Investment Test is based on the very poor level of qualified CD investments given the bank's resources and capacity.
- Low Satisfactory performance under the Service Test is demonstrated by the adequate dispersion of branches and accessibility to products and services as well as the adequate level of CD services.

### Description of Institution's Operations in Minnesota

Merchants has three AAs in Minnesota; a portion of the Rochester MSA, a portion of the Minneapolis MSA, and the counties of Winona and Goodhue, which are located in the non-MSA area of southeast Minnesota (MN Non-MSA AA). Combining these three AAs, Merchants' Minnesota operations account for 78 percent of total deposits as of June 30, 2015. As detailed further below, we selected the MN Non-MSA AA for a full scope review. Based on 2010 census information, the MN Non-MSA AA was comprised of 20 CTs, with none designated as low- or moderate-income.

In the state of Minnesota, the bank has its main office, 16 full-service branch offices, and four limited-service branch offices. There are six full-service branches and one limited-service branch in the Minneapolis MSA. There are four full-service branches and two deposit taking ATMs in the Rochester MSA. There are six full service branches, three limited-service branches, and six deposit taking ATMs in the MN Non-MSA. The bank opened two new full-service branches and one new limited-service branch in Minnesota during the evaluation period. Specifically, two full service branches were opened on November 15, 2013, in the Rochester MSA, and one limited-service branch was opened in the MN Non-MSA on January 15, 2013. While the bank's MN Non-MSA AA does not have any low- or moderate-income geographies, there are low-and moderate-income individuals who reside in the MN Non-MSA AA. Specifically, according to the 2010 census data in middle-income CTs, 16.55 percent of residents are low-income families, and 15.97 percent of the residents are moderate-income families.

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<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Similarly, according to the 2010 census data in upper-income CTs, 11.29 percent of the residents are low-income families and 14.74 percent are moderate-income families.

Merchants has a strong deposit presence in the MN Non-MSA AA. The FDIC Deposit Market Share Report as of June 30, 2015, shows that Merchants had \$604 million in deposits and a market share of 30.36 percent, ranking first out of 19 institutions. In the Minneapolis MSA, the bank had \$234 million in deposits, a market share of 2.49 percent, and ranked 10<sup>th</sup> out of 47 institutions. In the Rochester MSA, the bank had \$141 million in deposits, a market share of 3.5 percent, and ranked seventh out of 25 institutions. In the state of Minnesota, Merchants has several competitors, with Wells Fargo Bank, N.A., being a primary competitor in all three of the AAs in which Merchants has deposits.

Refer to *Market Profile* in *Appendix C* for detailed demographic and other performance context information for the AAs that received full-scope review.

## Scope of Evaluation in Minnesota

We selected Merchants' MN Non-MSA AA for a full scope review, as it represents the area in which Merchants has the largest portion of deposits in the state of Minnesota. Specifically, 62 percent of the deposits are in the MN Non-MSA AA, 24 percent are in the Minneapolis MSA AA, and 14 percent are in the Rochester MSA AA. The Non MSA AA includes the entire counties of Winona and Goodhue. Given the significance of the MN Non-MSA AA to Merchants in terms of deposit and loan volume, this AA carried the most weight in assigning the ratings for the state of Minnesota and the overall CRA rating. We performed limited-scope reviews for the Minneapolis MSA and the Rochester MSA AAs. As we noted previously, ratings assigned are based primarily on the results of the AAs that received full-scope reviews. Please refer to *Appendix A: Scope of the Examination* for more information.

We considered information from one community organization for this evaluation that was located in the AA. The organization was primarily focused on affordable housing. Information obtained is included in the *Market Profile* section in *Appendix C*.

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test in MN Non-MSA AA is rated Outstanding. Based on full-scope review, the bank's performance in the MN Non-MSA AA is excellent.

### Lending Activity

Refer to **Table 1 Lending Volume** in **Appendix D** under the MN Non MSA AA for the facts and data used to evaluate the bank's lending activity.

Lending levels reflects excellent responsiveness in relation to area credit needs and the bank's deposit market share during the evaluation period.

In 2012-2013, Merchants originated and purchased 336 small loans to businesses totaling \$44 million. The bank ranked first out of 41 lenders with a market share of 24.32 percent. In 2014-2015, Merchants

originated and purchased 485 small loans to businesses totaling \$61 million. The bank again ranked first out of 40 lenders with a market share of 25.95 percent.

For mortgage loans, in 2012-2013, Merchants ranked first with a market share of 22.08 percent out of 196 lenders reporting HMDA data. This represents 1,674 reportable home mortgage loans at \$238 million. In 2014-2015, Merchants again ranked first with a market share of 18.08 percent out of 179 lenders reporting HMDA data. This represents 888 reportable home mortgage loans at \$131 million.

For small loans to farm originated and purchased during 2012-2013, Merchants had a market share of 70.79 percent totaling \$26 million or 267 loans. Merchants ranked first out of 20 lenders in the AA reporting small farm data. In 2014-2015, Merchants had a market share of 84.54 percent totaling \$36 million or 335 loans. Merchants again ranked first in the AA out of 14 lenders in the AA reporting small farm data.

### **Distribution of Loans by Income Level of the Geography**

During the entire evaluation period, there were no low-or moderate-income CTs in the MN Non MSA AA. As such, an analysis would not be meaningful.

### **Distribution of Loans by Income Level of the Borrower**

The overall borrower distribution in the state of Minnesota is excellent.

#### *Home Mortgage Loans*

Refer to **Tables 8, 9 and 10** in the MN Non-MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution in the MN Non-MSA AA reflects excellent penetration among home mortgage loan customers of different income levels.

#### *Home Purchase Loans*

Merchant's distribution of home purchase loans to low- and moderate-income borrowers is excellent. The distribution of home purchase loans to low-income borrowers was near the demographic in 2012-2013 as well as in 2014-2015. Home purchase loans to moderate-income families exceeded the demographics of the AA during the entire evaluation period. Merchants' market share for both low- and moderate-income borrowers was near the market share during the entire evaluation period.

#### *Home Refinance Loans*

Merchant's distribution of home refinance loans to low- and moderate-income borrowers is good. The distribution of home refinance loans to low-income borrowers during the evaluation period was lower than the percentage of low-income families in the AA. Home refinance loans to moderate-income families exceeded the demographics of the AA during the evaluation period. Merchants' market share for low-income borrowers exceeded its overall market share for home refinance loans 2012-2013 and was near its overall market share in 2014-2015. Merchants exceeded its overall market share for home refinance loans to moderate-income families during the entire evaluation period.

*Home Improvement Loans*

Merchants' borrower distribution of home improvement loans is good. The distribution of home improvement loans to low-income borrowers in 2012-2013 was comparable to the percentage of low-income families in the AA, while home improvement loans to moderate-income families was near demographics of the AA in 2012-2013. In 2014-2015, Merchants' distribution of home improvement loans to low-income borrowers was significantly lower than the percentage of low-income families in the AA, yet home improvement loans to moderate-income families exceeded the demographics of the AA in 2014-2015. On a combined basis, distribution to low- and moderate-income families was near the demographics. Merchants' market share in 2012-2013 for low-income borrowers exceeded its overall market share for home improvement loans, and was near its market share for moderate-income borrowers. In 2014-2015, Merchants market share was lower than its overall market share for low income-borrowers yet was near its overall market share for moderate-income borrowers.

*Small Loans to Businesses*

Refer to **Table 11** in the MN Non-MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The distribution of borrowers in the MN Non-MSA AA reflects good penetration among business customers of different sizes.

In the MN Non-MSA AA, the percentage of small loans to businesses was near the percentage of small businesses in the years of 2012-2013. Merchants' market share of loans to small businesses exceeded its overall market share during the same time period. The percentage of loans to small businesses was somewhat lower than the percentage of small businesses in the MN Non-MSA in the years of 2014-2015. However, Merchants' market share of loans to small businesses again exceeded its overall market share during the same time period.

*Small Loans to Farms*

Refer to **Table 12** in the MN Non-MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

Borrower distribution in the MN Non-MSA AA reflects excellent penetration among farms of different sizes.

In the MN Non-MSA AA, the percentage of small loans to farms in 2012-2013 was near the percentage of small farms in the AA for the entire evaluation period. In addition, Merchants' market share of loans to small farms exceeded its overall market share during the same time period.

**Community Development Lending**

Refer to **Table 1 Lending Volume** in the state of Minnesota section of **Appendix D** for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, **Table 5** includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

CD lending had a neutral impact on the lending performance in the MN Non-MSA AA. Merchants originated five CD loans in the MN Non-MSA AA during the evaluation period totaling approximately \$294 thousand.

### **Product Innovation and Flexibility**

No loans originated in the state of Minnesota are considered to be innovative or flexible.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in the Rochester MSA AA is consistent with the MN Non-MSA AA, and the Minneapolis MSA AAs performance is not consistent. In the Rochester MSA, the lending test was outstanding. In addition, in the Rochester MSA AA, the bank originated twelve CD loans for a total of approximately \$6 million. The bank did not originate any CD loans in the Minneapolis MSA AA, yet the performance under the lending test in the Minneapolis MSA AA is high satisfactory. Refer to the Tables 1 through 13 of appendix D under the Rochester MSA AA and Minneapolis MSA AA for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test in Minnesota is rated Substantial Noncompliance. Based on full-scope reviews, the bank's performance in the MN Non-MSA AA is very poor.

Refer to **Table 14** in the MN Non-MSA AA section of **Appendix D** for the facts and data used to evaluate the bank's level of qualified investments.

Merchants' volume of qualified investments in the MN Non-MSA AA is very poor. During the evaluation period, Merchants made 71 monetary contributions to organizations that provided social services to low- and moderate-income individuals. These 71 monetary contributions totaled approximately \$117 thousand. Merchants' largest donation during the evaluation period was in 2012 for \$10 thousand to the Family and Children's Center. According to the community contact, there are many opportunities in the MN Non-MSA AA where financial institutions may participate. For example, of the 87 counties in Minnesota, 86 have an insufficient supply of rental housing for extremely low-income (ELI) renters. An ELI renter is defined as a renter who earns less than 30 percent of the area median income. In addition, construction of multifamily housing has been very limited in most areas of the state, especially in rural areas.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the investment test in the Rochester MSA AA and Minneapolis MSA AA is consistent with the bank's overall Substantial Noncompliance performance under the investment test in Minnesota. Refer to the **Table 14** in the state of Minnesota section of **Appendix D** for the facts and data that support these conclusions.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the service test in Minnesota is rated Low Satisfactory. Based on a full-scope review, the bank's performance in the MN Non-MSA AA is adequate.

#### **Retail Banking Services**

Refer to **Table 15** in the MN Non-MSA AA section of **Appendix D** for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The dispersion of branches and accessibility to products and services is adequate. Merchants' delivery systems are reasonably accessible to essentially all portions of the institutions AA. Four of the nine branches in the MN Non-MSA AA offer drive-up hours on Saturday, and one of the branches has extended hours on Friday. Services do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income individuals.

Merchants operates nine branches in the MN Non-MSA AA, which represent 45 percent of its branches in Minnesota. Eight branches are located in middle-income CTs and one is located in an upper-income CT. The MN Non-MSA AA had zero low- and moderate-income CTs during the evaluation period.

Merchants has six deposit-taking ATMs in the MN Non-MSA AA. Five of the deposit-taking ATMs are located in middle-income CTs and one is located in an upper-income CT.

Merchants' record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to low- or moderate-income geographies or to low- and moderate-income individuals. The bank opened one branch in a middle-income CT and did not close any branches in the MN Non MSA AA during the evaluation period.

Merchants offers additional alternative delivery systems including mobile banking and online banking.

#### **Community Development Services**

The bank's level of CD services is adequate. This assessment is based on the opportunities in the AA and the type of organizations that benefit from the services provided.

Merchants' employees provided an adequate level of CD services in the MN Non-MSA AA. Merchants worked with nine community development organizations. In seven of the organizations, employees served in a leadership capacity. The organizations provided a variety of services to low- and moderate-income individuals and promoted economic development.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the service test in the Rochester MSA AA is not consistent with the bank's overall Satisfactory performance under the service test in the MN Non-MSA AA. In the Minneapolis MSA AA, the bank's performance is consistent with its overall performance in the MN Non-MSA AA. In the Rochester MSA AA, the bank's performance is stronger

than its overall performance in the state. Refer to **Table 15** in the state of Minnesota section of **Appendix D** for the facts and data that support these conclusions.

## State Rating

### State of Wisconsin

#### **CRA Rating for Wisconsin<sup>3</sup>: Low Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: Substantial Noncompliance**

**The service test is rated: Low Satisfactory**

The major factors that support this rating include:

- High Satisfactory for the Lending Test in Wisconsin is based on strong lending activity, good overall borrower income distribution, and an adequate overall geographic distribution. CD Lending in Wisconsin had neutral impact.
- Substantial Noncompliance performance under the Investment Test is based on the very poor level of qualified CD investments given the bank's resources and capacity.
- Low Satisfactory for the Service Test is based on the limited level of CD services and adequate dispersion of branches and accessibility to products and services.

### Description of Institution's Operations in Wisconsin

Merchants has one AA in Wisconsin which is the Eau Claire MSA. This encompasses a portion of the counties of Eau Claire and Chippewa (Eau Claire MSA AA). Merchants' Eau Claire MSA AA operations account for five percent of the bank's total deposits as of June 30, 2015. Merchant's Eau Claire MSA AA is comprised of 19 CTs which includes one moderate-income CT, thirteen middle-income CTs, and five upper-income CTs.

In the Eau Claire MSA AA, the bank has one full-service branch office and no deposit taking ATMs. Merchants acquired its Eau Claire branch on February 14, 2014. As such, the evaluation period for the lending and community development tests for this AA was February 14, 2014, through December 31, 2015.

As of June 30, 2015, the bank had \$56 million in deposits in the Eau Claire MSA AA according to the FDIC Deposit Market Share Report. As of this date, Merchants had a deposit market share of 2.94 percent, ranking 11<sup>th</sup> out of 18 institutions that operate in the Eau Claire MSA.

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<sup>3</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

In the Eau Claire MSA AA, the bank's primary competitor is Charter Bank Eau Claire, which held 25.68 percent of the deposit market share according to the FDIC Deposit Market Share Report as of June 30, 2015.

Refer to *Market Profile* in *Appendix C* for detailed demographic and other performance context information for the AAs that received full-scope review.

## **Scope of Evaluation in Wisconsin**

The Eau Claire MSA is the Merchants' only AA in the rated area and thus received a full-scope review. As such, ratings are based solely on results of the bank's performance in the Eau Claire MSA AA. Please refer to *Appendix A: Scope of the Examination* for more information. For small farm, home improvement, and multi-family loans, Merchants reported less than five loans during the evaluation period. As such, they were not included in the analysis, as the results would not be meaningful.

We considered information from one community organization for this evaluation that was located in the AA. The organization is primarily focused on economic development and small business lending. Information obtained is included in the *Market Profile* section in *Appendix C*.

## **LENDING TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the lending test in Wisconsin is rated High Satisfactory. Based on full-scope reviews, the bank's performance in the Eau Claire MSA AA is good.

### **Lending Activity**

Refer to **Table 1 Lending Volume** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the bank's lending activity.

Lending levels reflects good responsiveness in relation to area credit needs and the bank's deposit market share during the evaluation period.

During the evaluation period, Merchants originated and purchased 57 small loans to businesses totaling \$8 million. The bank ranked seventh out of 35 lenders with a market share of 3.29 percent.

For mortgage loans, Merchants had a market share of 0.90 percent and ranked 23<sup>rd</sup> out of 162 lenders reporting HMDA data. This represented 54 loans totaling \$23 million.

### **Distribution of Loans by Income Level of the Geography**

The overall geographic distribution of loans in Wisconsin is adequate.

### *Home Mortgage Loans*

Refer to **Tables 2 and 4** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

During the entire evaluation period, using 2010 census information, there were no low-income CTs and one moderate-income CT.

The geographic distribution of Merchants home mortgage loans is very poor.

### *Home Purchase Loans*

Merchants' geographic distribution of home purchase loans in the *Eau Claire MSA AA* is very poor. Merchants home purchase loans in moderate-income tracts was significantly lower than the percentage of owner-occupied housing in the AA. Merchants' market share for moderate-income geographies during the evaluation period was also somewhat lower than its overall market share for home purchase loans.

### *Home Refinance Loans*

Merchants' geographic distribution of home refinance loans in the *Eau Claire MSA AA* is very poor. Merchants' home refinance loans to borrowers in moderate-income census tracts was significantly lower than the owner-occupied housing units in the AA, as Merchants did not make any loans in moderate-income CTs. Merchants' market share for moderate-income geographies is also significantly lower than its overall market share.

### *Small Loans to Businesses*

Refer to **Table 6** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of Merchants' small loans to businesses in the Eau Claire MSA AA is excellent.

In the *Eau Claire MSA AA*, the percentage of Merchants' loans to small businesses in moderate-income geographies exceeded the percentage of businesses located in those geographies during the evaluation period. In addition, Merchants' market share in the moderate-income geographies exceeded its overall market share for small loans to businesses.

### *Lending Gap Analysis*

Our geographic distribution analysis included a review of lending gaps, particularly in low- and moderate-income areas. We did not identify any unexplained conspicuous gaps in the Eau Claire MSA AA.

### **Distribution of Loans by Income Level of the Borrower**

The overall borrower distribution of loans in Wisconsin is good.

### *Home Mortgage Loans*

Refer to **Tables 8 and 10** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution in the Eau Claire MSA AA reflects excellent penetration among home mortgage loan customers of different income levels.

### *Home Purchase Loans*

Merchant's distribution of home purchase loans to low- and moderate-income borrowers is excellent. Home purchase loans to low-income borrowers were lower than the percentage of low-income families in the AA. However, Merchants' home purchase loans to moderate-income borrowers exceeded the percentage of moderate-income families in the AA. Merchants' market share for both low- and moderate-income borrowers exceeded its overall market share for home purchase loans.

### *Home Refinance Loans*

Merchant's distribution of home refinance loans to low- and moderate-income borrowers is excellent. Home refinance loans to low-income borrowers was lower than the percentage of low-income families in the AA. However, home refinance loans to moderate-income families exceeded the demographics of the AA. Merchants' market share for low- and moderate-income borrowers exceeded its overall market share for home refinance loans.

### *Small Loans to Businesses*

Refer to **Table 11** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The distribution of borrowers in the Eau Claire MSA AA reflects excellent penetration among business customers of different sizes.

In the Eau Claire MSA AA, the percentage of small loans to businesses was near the percentage of businesses in the AA with these revenues. Merchants' market share of small loans to businesses exceeded its overall market share.

### **Community Development Lending**

Refer to **Table 1 Lending Volume** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the bank's level of CD lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

CD lending had a neutral impact on the lending performance in the Eau Claire MSA AA. Merchants did not originate any CD loans in the Eau Claire MSA AA during the evaluation period.

## **Product Innovation and Flexibility**

No loans originated in the Eau Claire MSA AA are considered to be innovative or flexible.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test in Wisconsin is rated Substantial Noncompliance. Based on full-scope reviews, the bank's performance in the Eau Claire MSA AA is very poor.

Refer to **Table 14** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the bank's level of qualified investments.

Merchants' volume of qualified investments in the Eau Claire MSA AA is very poor. During the evaluation period, Merchants made two monetary contributions to organizations that provided social services to low- and moderate-income individuals. These two monetary contributions totaled approximately \$610. According to the community contact, there are many opportunities in the Eau Claire MSA AA where financial institutions may participate. For example, there is a need for gap financing for small businesses, as well as funds needed for small farms and organic farming.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test in Wisconsin is rated Low Satisfactory. Based on full-scope reviews, the bank's performance in the Eau Claire MSA AA is adequate.

### **Retail Banking Services**

Refer to **Table 15** in the Eau Claire MSA AA section of **Appendix D** for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The dispersion of branches and accessibility to products and services is adequate. Merchants' delivery systems are reasonably accessible to essentially all portions of the institutions AA. The Eau Claire MSA AA location offers drive-up hours on Saturdays. Services do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income geographies and individuals.

Merchants operates one branch in the Eau Claire MSA AA, which represents 100 percent of its branches in Wisconsin. This branch is located in a middle-income CT. The Eau Claire MSA AA did not have any low-income CTs during the evaluation, but did have one moderate-income CT. Merchants has one cash-dispensing ATM in the Eau Claire MSA AA, which is located in a middle-income CT.

Merchants' record of opening and closing branches does not adversely affect the accessibility of its delivery systems, particularly to low- or moderate-income geographies or to low- and moderate-income individuals. The bank opened one branch and did not close any branches in the Eau Claire MSA AA during the evaluation period.

Availability of alternative delivery systems for delivery of retail banking services to low- and moderate-income geographies and individuals is reasonably accessible. Merchants' offers alternative delivery systems including mobile and online banking.

### **Community Development Services**

The bank's level of CD services is adequate. This assessment is based on the shorter timeframe of operating within the AA, lower number of employees, and opportunities in the AA and the type of organizations that benefit from the services provided.

Merchants' employees provided an adequate level of CD services in the Eau Claire MSA AA. Merchants worked with one community development organization where one employee served in a leadership capacity. The organization did provide a variety of services to low- and moderate-income individuals and promoted economic development.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): 01/01/2012 to 12/31/2015 Investment and Service Tests & CD Loans: 01/01/2012 to 12/31/2015	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Merchants Bank National Association (Merchants) 102 Plaza East Winona, MN 55987	Small Loans to Businesses Home Mortgage Loans Small Loans to Farms	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Multistate La Crosse #29100  Minnesota MN Non-MSA Minneapolis MSA #33460 Rochester MSA #40340  Wisconsin Eau Claire MSA #20740	Full-Scope  Full-Scope Limited-Scope Limited-Scope  Full-Scope	Included Houston and La Crosse counties  Included Winona and Goodhue counties Included Dakota and Washington counties Included Olmsted and Fillmore counties  Included Chippewa and Eau Claire counties

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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RATINGS FOR MERCHANTS BANK NATIONAL ASSOCIATION				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Merchants Bank	Outstanding	Substantial Noncompliance	Low Satisfactory	Satisfactory
Multistate Metropolitan Area or State:				
La Crosse Multistate MSA	Outstanding	Substantial Noncompliance	Low Satisfactory	Satisfactory
Minnesota	Outstanding	Substantial Noncompliance	Low Satisfactory	Satisfactory
Wisconsin	High Satisfactory	Substantial Noncompliance	Low Satisfactory	Low Satisfactory

(\*) The lending test is weighted more heavily than the investment and service tests in the overall rating.

## Appendix C: Market Profiles for Full-Scope Areas

### Multistate MSA: La Crosse Multistate MSA AA (MN/WI)

Demographic Information for Full Scope Area: La Crosse Multistate MSA AA - 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	30	3.33	13.33	66.67	16.67	0.00
Population by Geography	133,665	4.11	11.88	69.67	14.33	0.00
Owner-Occupied Housing by Geography	36,409	0.54	4.08	78.97	16.41	0.00
Business by Geography	7,613	2.77	18.05	67.79	11.39	0.00
Farms by Geography	727	0.00	1.65	91.61	6.74	0.00
Family Distribution by Income Level	32,865	18.28	18.64	24.68	38.40	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,134	2.16	11.74	75.42	10.68	0.00
Median Family Income		65,427	Median Housing Value		146,488	
FFIEC Adjusted Median Family Income for 2015		70,700	Unemployment Rate (2010 US		2.92%	
Households Below Poverty Level		13%	Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 FFIEC updated MFI

The AA consists of two counties in the La Crosse Multistate MSA which are Houston County in Minnesota and La Crosse County in Wisconsin. The AA complies with the regulation and does not arbitrarily exclude low- or moderate-income geographies. Merchants currently operates four full service branches in the La Crosse MSA AA.

Competition among financial institutions in the AA is strong. According to the June 30, 2015, FDIC Deposit Market Share Report, Merchants ranked fifth out of the 17 institutions with a presence in the AA holding nine percent of the market share and \$214 million in deposits. Competitors in the AA who had a greater market share than Merchants were Wells Fargo Bank N.A. and Associated Bank, who together held 26 percent of the deposit market share. These institutions are significantly larger in asset size and legal lending limits. Other local competitors include Coulee Bank, River Bank and State Bank Financial.

The largest employers in the AA include Gunderson Health System, Mayo Clinic Health System, Trane, and Kwik Trip. Unemployment in December 2015 in the La Crosse MSA AA was 4 percent, above the Minnesota statewide unemployment rate of 3.7 percent, but below the Wisconsin statewide rate of 4.6 percent and the nationwide rate of 5.3 percent. Major industries in the AA include services, retail trade, and agriculture.

Community and credit needs in the AA include affordable housing for low- and moderate-income individuals and small business lending.

## State of Wisconsin

### Eau Claire MSA AA

Demographic Information for Full Scope Area: Eau Claire MSA AA - 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	0.00	12.00	68.00	20.00	0.00
Population by Geography	126,635	0.00	7.94	71.04	21.02	0.00
Owner-Occupied Housing by Geography	33,136	0.00	6.52	74.39	19.09	0.00
Business by Geography	8,109	0.00	11.86	71.44	16.70	0.00
Farms by Geography	448	0.00	2.90	71.43	25.67	0.00
Family Distribution by Income Level	31,089	17.66	18.39	23.56	40.39	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,207	0.00	10.94	74.61	14.46	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2015 Households Below Poverty Level		62,064 65,900 14%	Median Housing Value Unemployment Rate (2010 US Census)		151,296 3.47%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 FFIEC updated MFI

The AA consists of portions of Eau Claire and Chippewa counties in Wisconsin. The AA excludes the northern and eastern portions of Chippewa County and excludes the eastern part of Eau Claire County. The AA complies with the regulation and does not arbitrarily exclude low- or moderate-income geographies. Merchants currently operates one full service branch in Eau Claire County, which is in the Eau Claire MSA AA.

Competition among financial institutions in the AA is strong. According to the June 30, 2015, FDIC Deposit Market Share Report, Merchants had \$56 million in deposits in the AA and ranked 11<sup>th</sup> out of 18 institutions with a presence in the AA. Competitors in the AA who had a greater market share than Merchants were Charter Bank Eau Claire, Wells Fargo Bank N.A., and U.S. Bank, who together held 48 percent of the deposit market share. Other local competitors include BMO Harris Bank, Citizens Community Federal, and Associated Bank.

The largest employers in the AA include Menard Inc., May Clinic Health Systems, Eau Claire School District, and University of Wisconsin – Eau Claire. Unemployment as of December 2015 in the AA was 4.1 percent, below the statewide unemployment rate of 4.6 percent and the nationwide rate of 5.3 percent. Major industries in the AA include services, retail trade, and construction.

Community and credit needs in the AA include affordable housing for low- and moderate-income individuals and small business lending.

## State of Minnesota

### MN Non-MSA AA

Demographic Information for Full Scope Area: Non-MSA AA - 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	0.00	0.00	70.00	30.00	0.00
Population by Geography	97,644	0.00	0.00	70.07	29.93	0.00
Owner-Occupied Housing by Geography	28,636	0.00	0.00	66.40	33.60	0.00
Business by Geography	6,866	0.00	0.00	71.53	28.47	0.00
Farms by Geography	1,157	0.00	0.00	57.82	42.18	0.00
Family Distribution by Income Level	24,857	14.74	15.55	22.80	46.91	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,529	0.00	0.00	70.45	29.55	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2015 Households Below Poverty Level		57,683 63,600 12%	Median Housing Value Unemployment Rate (2010 US Census)		179,192 3.41%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 FFIEC updated MFI

The AA consists of Winona and Goodhue Counties in Minnesota which were not part of an MSA during this evaluation period. The bank takes both full counties and has its greatest deposit and lending presence in this Non-MSA. The bank operates six full-service and three limited-service branches in the AA.

Competition among financial institutions in the AA is strong. According to the June 30, 2015, FDIC Deposit Market Share Report, Merchants had \$605 million in deposits in this AA. Merchants ranked first out of the 19 institutions with a presence in the AA. Competitors in the AA who had a notable market share include Wells Fargo N.A. and Winona National Bank, who together held 27 percent of the deposit market share. Other local competitors include First Farmers & Merchants and the Bank of Zumbrota.

The largest employers in the AA include Fastenal Company, Winona Health, and TRW Automotive Electronics. Unemployment in December 2015 in Winona County was 2.9 percent and 3.5 percent in Goodhue County. Both were below the statewide average of 3.7 percent and the nationwide rate of 5.3 percent. Major industries in the AA include services, retail trade, and agriculture.

Community and credit needs in the AA include affordable housing for low- and moderate-income individuals and small business lending.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of

multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013				
Assessment Area (2013):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
La Crosse Multistate MSA AA (MN/WI)	14.87	975	129,617	229	26,374	101	6,618	3	2,050	1,305	162,609	100.00
MN Non-MSA AA (MN)	25.95	1,674	238,075	336	43,559	267	25,780	2	97	2,277	307,414	61.68
<b>Limited Review:</b>												
Minneapolis MSA AA (MN)	53.07	3,457	518,078	773	100,462	427	38,768	0	0	4,657	657,308	23.89
Rochester MSA AA (MN)	6.12	393	67,986	106	15,739	38	3,271	6	2,831	537	86,996	14.44

\* Loan Data as of December 31, 2013. Rated area refers to either state or Multistate MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2012 to December 31, 2013.

\*\*\* Deposit Data as of March 22, 2016. Rated Area refers to either the state, Multistate MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE 31, 2013		Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2012 TO DECEMBER					Market Share (%) by Geography*				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp		
	#	% of Total**	% Owner Occ Units***	% BANK Loans***	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans							
<b>Full Review:</b>																	
La Crosse Multistate MSA AA (MN/WI)	270	14.04	0.54	1.85	4.08	2.96	78.97	85.19	16.41	10.00	8.27	26.67	3.96	8.81	6.21		
MN Non-MSA AA (MN)	500	26.00	0.00	0.00	0.00	0.00	84.21	92.60	15.79	7.40	19.68	0.00	0.00	22.70	5.71		
<b>Limited Review:</b>																	
Minneapolis MSA AA (MN)	1,032	53.67	0.09	0.48	6.26	2.33	66.18	82.17	27.47	15.02	3.67	26.67	1.60	4.68	1.88		
Rochester MSA AA (MN)	121	6.29	0.00	0.00	14.68	10.74	54.39	54.55	30.93	34.71	2.11	0.00	2.09	2.34	1.82		

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT 31, 2013		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2012 TO DECEMBER					
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
La Crosse Multistate MSA AA (MN/WI)	71	20.82	0.54	0.00	4.08	1.41	78.97	87.32	16.41	11.27	8.77	0.00	0.00	10.25	4.84
MN Non-MSA AA (MN)	93	27.27	0.00	0.00	0.00	0.00	84.21	91.40	15.79	8.60	22.92	0.00	0.00	24.22	12.50
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	175	51.32	0.09	0.00	6.26	0.57	66.18	89.14	27.47	10.29	4.29	0.00	0.00	6.27	1.05
Rochester MSA AA (MN)	2	0.59	0.00	0.00	14.68	0.00	54.39	0.00	30.93	100.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2013			Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2012 TO						
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total* *	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
La Crosse Multistate MSA AA (MN/WI)	627	15.00	0.54	0.80	4.08	2.39	78.97	90.59	16.41	6.22	8.44	11.63	6.62	9.72	2.76
MN Non-MSA AA (MN)	1,065	25.48	0.00	0.00	0.00	0.00	84.21	86.57	15.79	13.43	23.13	0.00	0.00	24.47	17.32
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	2,221	53.15	0.09	0.23	6.26	2.66	66.18	82.67	27.47	14.45	4.55	11.63	2.95	6.02	2.01
Rochester MSA AA (MN)	266	6.37	0.00	0.00	14.68	11.65	54.39	56.02	30.93	32.33	3.33	0.00	3.82	3.78	2.54

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY 2013		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31,					
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
La Crosse Multistate MSA AA (MN/WI)	7	12.50	11.60	28.57	29.91	42.86	51.04	28.57	7.45	0.00	12.50	16.67	23.08	8.00	0.00
MN Non-MSA AA (MN)	16	28.57	0.00	0.00	0.00	0.00	93.76	100.00	6.24	0.00	52.63	0.00	0.00	52.63	0.00
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	29	51.79	2.58	6.90	21.77	13.79	62.37	75.86	13.28	3.45	13.38	16.67	12.00	15.79	0.00
Rochester MSA AA (MN)	4	7.14	0.00	0.00	28.82	0.00	55.52	75.00	15.66	25.00	7.14	0.00	0.00	11.11	0.00

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2010 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2013		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2012 TO					
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
La Crosse Multistate MSA AA (MN/WI)	229	15.86	2.74	1.31	17.61	13.54	66.77	77.73	12.88	7.42	13.80	7.89	11.27	16.87	7.76
MN Non-MSA AA (MN)	336	23.27	0.00	0.00	0.00	0.00	82.43	88.39	17.57	11.61	19.00	0.00	0.00	20.86	15.18
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	773	53.53	0.41	0.39	10.23	8.28	63.03	77.10	26.33	14.23	4.37	7.89	3.02	6.09	2.13
Rochester MSA AA (MN)	106	7.34	0.00	0.00	17.28	20.75	52.67	50.00	30.05	29.25	4.68	0.00	6.30	4.68	4.19

\* Based on 2013 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2013).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS DECEMBER 31, 2013		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2012 TO					
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
La Crosse Multistate MSA AA (MN/WI)	101	12.12	0.00	0.00	1.31	0.00	90.21	100.00	8.47	0.00	56.11	0.00	0.00	57.39	0.00
MN Non-MSA AA (MN)	267	32.05	0.00	0.00	0.00	0.00	74.80	83.15	25.20	16.85	56.00	0.00	0.00	58.31	47.87
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	427	51.26	0.00	0.00	2.35	0.00	72.37	86.18	25.29	13.82	42.58	0.00	14.29	45.30	32.96
Rochester MSA AA (MN)	38	4.56	0.00	0.00	6.98	0.00	55.35	73.68	37.67	26.32	34.55	0.00	0.00	37.84	30.30

\* Based on 2013 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2013).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE 2013		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013					
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans**	% Families <sup>4</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
La Crosse Multistate MSA AA (MN/WI)	270	14.04	18.28	15.89	18.64	19.38	24.68	34.88	38.40	29.84	8.49	7.76	6.26	10.20	9.11
MN Non-MSA AA (MN)	500	26.00	15.16	9.98	16.18	27.09	22.96	25.25	45.71	37.68	20.91	15.70	20.91	20.62	22.73
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	1,032	53.67	15.13	11.31	17.75	24.21	24.56	26.69	42.56	37.80	4.08	3.08	3.42	4.25	4.85
Rochester MSA AA (MN)	121	6.29	16.01	11.02	18.72	27.12	23.84	21.19	41.43	40.68	2.31	1.70	2.58	1.91	2.67

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 2.5% of loans originated and purchased by bank.

4 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT 31, 2013		Geography: MERCHANTS BANK										Evaluation Period: JANUARY 1, 2012 TO DECEMBER				
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*					
	#	% of Total**	% Families***	% BANK Loans****	% Families5	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
La Crosse Multistate MSA AA (MN/WI)	71	20.82	18.28	10.14	18.64	34.78	24.68	23.19	38.40	31.88	8.71	2.38	14.89	5.81	8.21	
MN Non-MSA AA (MN)	93	27.27	15.16	8.99	16.18	14.61	22.96	33.71	45.71	42.70	22.56	25.00	17.24	30.77	18.87	
<b>Limited Review:</b>																
Minneapolis MSA AA (MN)	175	51.32	15.13	10.65	17.75	22.49	24.56	29.59	42.56	37.28	4.24	2.91	6.01	4.21	3.65	
Rochester MSA AA (MN)	2	0.59	16.01	50.00	18.72	0.00	23.84	0.00	41.43	50.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 3.5% of loans originated and purchased by bank.

5 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2013		Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2012 TO					Market Share*				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*						
	#	% of Total*	% Families***	% BANK Loans****	% Families6	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans***	Overall	Low	Mod	Mid	Upp		
<b>Full Review:</b>																	
La Crosse Multistate MSA AA (MN/WI)	627	15.00	18.28	11.38	18.64	25.37	24.68	33.01	38.40	30.24	8.79	11.19	8.62	9.75	7.43		
Non-MSA AA (MN)	1,065	25.48	15.16	6.93	16.18	20.90	22.96	29.49	45.71	42.68	24.15	25.89	27.25	25.41	21.95		
<b>Limited Review:</b>																	
Minneapolis MSA AA (MN)	2,221	53.15	15.13	8.78	17.75	22.86	24.56	30.86	42.56	37.50	4.82	4.82	5.15	5.46	4.24		
Rochester MSA AA (MN)	266	6.37	16.01	11.42	18.72	20.08	23.84	30.31	41.43	38.19	3.50	3.73	2.51	4.54	3.28		

\* Based on 2013 Peer Mortgage Data -- US and PR

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 3.2% of loans originated and purchased by bank.

6 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2013			Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2012 TO			
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*		
	#	% of Total**	% of Businesses ***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less	
<b>Full Review:</b>										
La Crosse Multistate MSA AA (MN/WI)	229	15.86	72.79	75.55	71.62	19.21	9.17	13.80	24.86	
MN Non-MSA AA (MN)	336	23.27	75.57	65.77	68.45	15.48	16.07	19.00	24.32	
<b>Limited Review:</b>										
Minneapolis MSA AA (MN)	773	53.53	75.75	69.08	69.08	16.17	14.75	4.37	5.82	
Rochester MSA AA (MN)	106	7.34	74.96	76.42	67.92	13.21	18.87	4.68	6.26	

\* Based on 2013 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2013).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 2.29% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS 31, 2013		Geography: MERCHANTS BANK			Evaluation Period: JANUARY 1, 2012 TO DECEMBER				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
La Crosse Multistate MSA AA (MN/WI)	101	12.12	98.69	95.05	83.17	11.88	4.95	56.11	67.13
MN Non-MSA AA (MN)	267	32.05	99.07	88.01	69.29	23.97	6.74	56.00	70.79
<b>Limited Review:</b>									
Minneapolis MSA AA (MN)	427	51.26	98.73	90.16	71.66	21.55	6.79	42.58	59.50
Rochester MSA AA (MN)	38	4.56	98.56	89.47	65.79	28.95	5.26	34.55	53.13

\* Based on 2013 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2013).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 4.08% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS 2013		Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31,			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
La Crosse Multistate MSA AA (MN/WI)	0	0	12	13	12	13	0.00	0	0
MN Non-MSA AA (MN)	0	0	31	51	31	51	0.00	0	0
<b>Limited Review:</b>									
Minneapolis MSA AA (MN)	0	0	0	11	10	11	0.00	0	0
Rochester MSA AA (MN)	0	0	7	17	0	0	0.00	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS 1, 2012 TO DECEMBER 31, 2013								Geography: MERCHANTS BANK				Evaluation Period: JANUARY					
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
La Crosse Multistate MSA AA (MN/WI)	100.00	0	100.00	0.00	0.00	100.00	0.00	0	0	0	0	0	0	4.11	11.88	69.67	14.33
MN Non-MSA AA (MN)	0.00	9	0.00	0.00	0.00	0.00	0.00	1	0	0	0	1	0	0.00	0.00	84.82	15.18
<b>Limited Review:</b>																	
Minneapolis MSA AA (MN)	0.00	7	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0.71	8.90	64.25	26.15
Rochester MSA AA (MN)	0.00	4	0.00	0.00	0.00	50.00	20.00	2	0	0	1	1	0	0.00	18.08	52.45	29.46

**Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System 31, 2013				Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2012 TO DECEMBER									
MA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
La Crosse Multistate MSA AA (MN/WI)	0.00	4	0.00	0	0	0	0	3	0.00	0	0	0	0	4.11	11.88	69.67	14.33
MN Non-MSA AA (MN)	0.00	9	0.00	0	0	0	11	7	0.00	0	0	86	14	0.00	0.00	84.82	15.18
<b>Limited Review:</b>																	
Minneapolis MSA AA (MN)	0.00	7	0.00	0	0	0	29	5	0.00	0	0	0	0	0.71	8.90	64.25	26.15
Rochester MSA AA (MN)	0.00	4	0.00	0	0	50	25	4	0.00	0	25	50	25	0.00	18.08	52.45	29.46

Table 1. Lending Volume

LENDING VOLUME		Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015				
Assessment Area	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Eau Claire MSA AA (WI)	2.67	54	22,658	57	8,034	0	0	0	0	111	30,692	100.00
La Crosse Multistate MSA AA (MN/WI)	26.09	604	92,556	334	47,142	148	14,008	2	2,000	1,086	153,706	100.00
MN Non-MSA AA (MN)	41.03	888	131,164	485	60,859	335	36,097	3	197	1,708	228,120	61.68
<b>Limited Review:</b>												
Minneapolis MSA AA (MN)	12.78	284	62,826	201	23,998	47	6,378	0	0	532	93,202	23.89
Rochester MSA AA (MN)	17.44	356	61,418	217	27,099	153	14,564	6	3,313	726	103,081	14.44

\* Loan Data as of December 31, 2015. Rated area refers to either state or Multistate MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2014 to December 31, 2015.

\*\*\* Deposit Data as of March 08, 2016. Rated Area refers to either the state, Multistate MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE 31, 2015		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2014 TO DECEMBER					
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans***	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	33	2.61	0.00	0.00	6.52	3.03	74.39	72.73	19.09	24.24	1.06	0.00	0.88	1.08	1.02
La Crosse Multistate MSA AA (MN/WI)	348	27.55	0.54	2.87	4.08	4.60	78.97	81.03	16.41	11.49	9.12	23.53	7.87	9.51	6.91
MN Non-MSA AA (MN)	522	41.33	0.00	0.00	0.00	0.00	66.40	79.50	33.60	20.50	19.16	0.00	0.00	22.37	12.79
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	167	13.22	0.00	0.00	2.05	0.00	53.91	68.26	44.04	31.74	1.33	0.00	0.00	1.59	0.98
Rochester MSA AA (MN)	193	15.28	0.00	0.00	11.96	19.17	59.24	55.44	28.80	25.39	2.43	0.00	3.45	2.57	1.90

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT 31, 2015		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2014 TO DECEMBER					
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	1	0.99	0.00	0.00	6.52	0.00	74.39	100.00	19.09	0.00	0.00	0.00	0.00	0.00	0.00
La Crosse Multistate MSA AA (MN/WI)	27	26.73	0.54	7.41	4.08	7.41	78.97	74.07	16.41	11.11	4.24	16.67	11.76	3.81	2.00
MN Non-MSA AA (MN)	56	55.45	0.00	0.00	0.00	0.00	66.40	58.93	33.60	41.07	14.47	0.00	0.00	14.29	14.75
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	6	5.94	0.00	0.00	2.05	0.00	53.91	66.67	44.04	33.33	0.41	0.00	0.00	0.38	0.48
Rochester MSA AA (MN)	11	10.89	0.00	0.00	11.96	45.45	59.24	54.55	28.80	0.00	1.35	0.00	4.55	1.21	0.00

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2015			Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2014 TO						
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total* *	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	17	2.16	0.00	0.00	6.52	0.00	74.39	76.47	19.09	23.53	0.67	0.00	0.00	0.63	1.08
La Crosse Multistate MSA AA (MN/WI)	219	27.86	0.54	0.91	4.08	5.02	78.97	82.19	16.41	11.87	6.64	0.00	3.80	7.22	5.19
MN Non-MSA AA (MN)	297	37.79	0.00	0.00	0.00	0.00	66.40	71.38	33.60	28.62	16.78	0.00	0.00	18.79	13.08
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	110	13.99	0.00	0.00	2.05	0.00	53.91	70.91	44.04	29.09	1.23	0.00	0.00	1.45	1.01
Rochester MSA AA (MN)	143	18.19	0.00	0.00	11.96	25.17	59.24	53.15	28.80	21.68	3.60	0.00	6.40	3.67	2.42

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY 2015		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31,					
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	3	8.33	0.00	0.00	11.25	0.00	67.63	66.67	21.12	33.33	4.08	0.00	0.00	5.71	0.00
La Crosse Multistate MSA AA (MN/WI)	10	27.78	11.60	50.00	29.91	20.00	51.04	30.00	7.45	0.00	16.28	30.00	13.33	14.29	0.00
MN Non-MSA AA (MN)	13	36.11	0.00	0.00	0.00	0.00	81.36	92.31	18.64	7.69	30.00	0.00	0.00	37.50	0.00
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	1	2.78	0.00	0.00	10.92	0.00	74.52	100.00	14.56	0.00	0.00	0.00	0.00	0.00	0.00
Rochester MSA AA (MN)	9	25.00	0.00	0.00	17.82	88.89	66.89	0.00	15.29	11.11	29.17	0.00	46.15	0.00	50.00

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2010 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2015				Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2014 TO							
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% of Business <sup>***</sup>	% BANK Loans	% of Business <sup>***</sup>	% BANK Loans	% of Business <sup>***</sup>	% BANK Loans	% of Business <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	57	4.40	0.00	0.00	11.86	19.30	71.44	68.42	16.70	12.28	1.80	0.00	3.89	1.71	0.71
La Crosse Multistate MSA AA (MN/WI)	334	25.81	2.77	1.80	18.05	11.68	67.79	76.65	11.39	9.88	12.91	10.26	10.12	15.88	6.54
MN Non-MSA AA (MN)	485	37.48	0.00	0.00	0.00	0.00	71.53	76.70	28.47	23.30	21.05	0.00	0.00	22.92	19.12
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	201	15.53	0.00	0.00	2.20	2.49	53.30	78.11	44.50	19.40	1.48	0.00	0.91	2.26	0.83
Rochester MSA AA (MN)	217	16.77	0.00	0.00	12.68	21.20	59.60	58.06	27.71	20.74	5.21	0.00	8.78	5.29	4.06

\* Based on 2014 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2015).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS DECEMBER 31, 2015		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2014 TO					
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	0	0.00	0.00	0.00	2.90	0.00	71.43	0.00	25.67	0.00	0.63	0.00	0.00	0.78	0.00
La Crosse Multistate MSA AA (MN/WI)	148	21.67	0.00	0.00	1.65	0.68	91.61	97.30	6.74	2.03	53.37	0.00	0.00	54.49	28.57
MN Non-MSA AA (MN)	335	49.05	0.00	0.00	0.00	0.00	57.82	64.48	42.18	35.52	65.54	0.00	0.00	70.62	58.02
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	47	6.88	0.00	0.00	0.74	0.00	65.07	82.98	34.19	17.02	22.46	0.00	25.00	28.75	12.96
Rochester MSA AA (MN)	153	22.40	0.00	0.00	19.34	18.95	54.29	77.12	26.37	3.92	47.70	0.00	50.00	52.80	18.75

\* Based on 2014 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2015).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE 2015		Geography: MERCHANTS BANK								Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015					
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans**	% Families7	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	33	2.61	17.66	7.41	18.39	33.33	23.56	25.93	40.39	33.33	1.00	1.14	1.79	1.00	0.37
La Crosse Multistate MSA AA (MN/WI)	348	27.55	18.28	10.90	18.64	25.96	24.68	24.04	38.40	39.10	9.42	10.64	10.90	8.64	8.69
MN Non-MSA AA (MN)	522	41.33	14.74	8.63	15.55	23.53	22.80	27.06	46.91	40.78	21.50	21.36	20.76	20.18	23.13
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	167	13.22	11.65	4.85	16.63	23.03	25.36	26.06	46.35	46.06	1.62	0.59	1.03	1.64	2.29
Rochester MSA AA (MN)	193	15.28	16.15	17.20	18.19	26.34	23.59	23.12	42.07	33.33	2.73	3.06	2.43	2.36	3.11

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 5.0% of loans originated and purchased by bank.

7 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT 31, 2015		Geography: MERCHANTS BANK						Evaluation Period: JANUARY 1, 2014 TO DECEMBER							
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>8</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Eau Claire MSA AA (WI)	1	0.99	17.66	0.00	18.39	100.00	23.56	0.00	40.39	0.00	0.00	0.00	0.00	0.00	0.00
La Crosse Multistate MSA AA (MN/WI)	27	26.73	18.28	4.35	18.64	26.09	24.68	21.74	38.40	47.83	3.00	3.13	0.00	2.63	4.24
MN Non-MSA AA (MN)	56	55.45	14.74	2.08	15.55	27.08	22.80	29.17	46.91	41.67	13.70	7.14	11.54	18.42	13.24
<b>Limited Review:</b>															
Minneapolis MSA AA (MN)	6	5.94	11.65	0.00	16.63	20.00	25.36	60.00	46.35	20.00	0.45	0.00	1.19	0.78	0.00
Rochester MSA AA (MN)	11	10.89	16.15	18.18	18.19	18.18	23.59	27.27	42.07	36.36	1.46	4.00	0.00	1.11	1.74

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 12.9% of loans originated and purchased by bank.

<sup>8</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2015			Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2014 TO					Market Share*				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total*	% Families***	% BANK Loans****	% Families <sup>9</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans***	Overa ll	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Eau Claire MSA AA (WI)	17	2.16	17.66	0.00	18.39	25.00	23.56	37.50	40.39	37.50	0.68	0.00	0.45	0.84	0.91	
La Crosse Multistate MSA AA (MN/WI)	219	27.86	18.28	14.07	18.64	22.61	24.68	23.62	38.40	39.70	6.95	8.64	8.76	6.63	5.58	
MN Non-MSA AA (MN)	297	37.79	14.74	8.39	15.55	18.98	22.80	23.72	46.91	48.91	16.82	15.09	20.91	16.25	15.99	
<b>Limited Review:</b>																
Minneapolis MSA AA (MN)	110	13.99	11.65	7.69	16.63	22.12	25.36	28.85	46.35	41.35	1.39	1.23	1.61	1.54	1.21	
Rochester MSA AA (MN)	143	18.19	16.15	17.19	18.19	28.13	23.59	27.34	42.07	27.34	3.88	4.42	3.92	4.79	3.04	

\* Based on 2014 Peer Mortgage Data -- US and PR

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 8.3% of loans originated and purchased by bank.

<sup>9</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2015			Geography: MERCHANTS BANK			Evaluation Period: JANUARY 1, 2014 TO			
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses ***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Eau Claire MSA AA (WI)	57	4.40	76.29	71.93	54.39	29.82	15.79	1.80	3.29
La Crosse Multistate MSA AA (MN/WI)	334	25.81	74.25	71.26	64.97	18.86	16.17	12.91	21.92
MN Non-MSA AA (MN)	485	37.48	80.27	63.51	69.90	18.14	11.96	21.05	25.95
<b>Limited Review:</b>									
Minneapolis MSA AA (MN)	201	15.53	86.54	65.67	69.15	18.41	12.44	1.48	1.83
Rochester MSA AA (MN)	217	16.77	80.37	70.51	70.51	15.21	14.29	5.21	6.84

\* Based on 2014 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2015).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 2.78% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS 31, 2015		Geography: MERCHANTS BANK			Evaluation Period: JANUARY 1, 2014 TO DECEMBER				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Eau Claire MSA AA (WI)	0	0.00	98.44	0.00	0.00	0.00	0.00	0.63	0.00
La Crosse Multistate MSA AA (MN/WI)	148	21.67	98.76	93.24	68.24	22.30	9.46	53.37	68.70
MN Non-MSA AA (MN)	335	49.05	98.62	84.48	63.28	25.97	10.75	65.54	84.54
<b>Limited Review:</b>									
Minneapolis MSA AA (MN)	47	6.88	98.15	89.36	61.70	19.15	19.15	22.46	36.71
Rochester MSA AA (MN)	153	22.40	98.55	92.16	71.24	20.26	8.50	47.70	65.10

\* Based on 2014 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2015).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.44% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS 2015		Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31,			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Eau Claire MSA AA (WI)	0	0	2	.6	2	.6	0.00	0	0
La Crosse Multistate MSA AA (MN/WI)	0	0	15	23	15	23	10.00	0	0
MN Non-MSA AA (MN)	0	0	0	167	40	167	0.00	0	0
<b>Limited Review:</b>									
Minneapolis MSA AA (MN)	0	0	12	11	12	11	0.00	0	0
Rochester MSA AA (MN)	0	0	0	24	12	24	0.00	0	0

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\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS 1, 2014 TO DECEMBER 31, 2015								Geography: MERCHANTS BANK				Evaluation Period: JANUARY					
MA/Assessment Area:	Deposit s	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposit s in AA	# of BANK Branch es	% of Rated Area Branch es in AA	Location of Branches by Income of Geographies (%)				# of Branch Openin gs	# of Branch Closing s	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Eau Claire MSA AA (WI)	100.00	1	100.00	0.00	0.00	100.00	0.00	1	0	0	0	1	0	0.00	7.94	71.04	21.02
La Crosse Multistate MSA AA (MN/WI)	100.00	4	100.00	0.00	0.00	100.00	0.00	0	0	0	0	0	0	4.11	11.88	69.67	14.33
MN Non-MSA AA (MN)	0.00	9	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0.00	0.00	70.07	29.93
<b>Limited Review:</b>																	
Minneapolis MSA AA (MN)	0.00	7	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0.00	2.52	55.31	42.17
Rochester MSA AA (MN)	0.00	4	20.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0.00	14.26	58.10	27.64

**Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System 31, 2015				Geography: MERCHANTS BANK				Evaluation Period: JANUARY 1, 2014 TO DECEMBER									
MA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Eau Claire MSA AA (WI)	50.00	1	0.00	0	0	100	0	1	0.00	0	0	0	0	0.00	7.94	71.04	21.02
La Crosse Multistate MSA AA (MN/WI)	0.00	4	0.00	0	0	0	0	3	0.00	0	0	0	0	4.11	11.88	69.67	14.33
MN Non-MSA AA (MN)	0.00	9	0.00	0	0	89	11	7	0.00	0	0	86	14	0.00	0.00	70.07	29.93
<b>Limited Review:</b>																	
Minneapolis MSA AA (MN)	0.00	7	0.00	0	0	71	29	5	0.00	0	0	0	40	0.00	2.52	55.31	42.17
Rochester MSA AA (MN)	0.00	4	0.00	0	25	50	25	4	0.00	0	0	50	25	0.00	14.26	58.10	27.64

