

PUBLIC DISCLOSURE

May 9, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers & Merchants Bank of Orfordville
RSSD# 41245

303 East Spring Street
Orfordville, Wisconsin 53576

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Farmer & Merchants Bank of Orfordville is rated Satisfactory.

Farmers & Merchants Bank of Orfordville provides credit consistent with its size, location, and the local economic conditions of its assessment area. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment area. A majority of the bank's Home Mortgage Disclosure Act (HMDA)-reportable and small farm loans are located inside its assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Additionally, the bank has an excellent distribution of loans among individuals of different income levels (including low- and moderate-income individuals) and farms of different revenue sizes. Neither the bank nor this Reserve Bank has received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Farmers & Merchants Bank of Orfordville performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution Examination Procedures. The bank's CRA performance was evaluated in the context of information about the institution and its assessment area including; asset size, financial condition, competition, and economic and demographic characteristics. The bank's primary product lines, which include HMDA-reportable and small farm loans, were evaluated.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio, ending September 30, 2015, was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2014 – December 31, 2014 and small farm loans originated from November 1, 2014 through October 31, 2015, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's HMDA-reportable loans originated from January 1, 2014 through December 31, 2014 and small farm loans originated from November 1, 2014 through October 31, 2015, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels. The bank's assessment area only includes middle income census tracts. Consequently, a limited analysis was performed to ensure no arbitrary exclusion of low- and moderate-income (LMI) tracts from the assessment area.

- **Lending to Borrowers of Different Income and to Farms of Different Sizes** - The bank's HMDA-reportable loans originated from January 1, 2014 through December 31, 2014, and small farm loans originated from November 1, 2014 through October 31, 2015, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to farms of different revenue sizes.
- **Response to Substantiated Complaints** – Neither Farmers & Merchants Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

DESCRIPTION OF INSTITUTION

Farmers & Merchants Bank of Orfordville is a community bank with \$51.0 million in assets as of the December 31, 2015 Uniform Bank Performance Report (UBPR). The bank is located in southern Wisconsin in the Janesville-Beloit Wisconsin Metropolitan Statistical Area #27500 (Janesville-Beloit MSA) and operates one full service office and one full service ATM in Orfordville, Wisconsin. The bank has not opened, closed, acquired or sold any facilities since the previous CRA evaluation. The bank is not organized under a holding company and has no affiliates or subsidiaries.

Farmers & Merchants Bank of Orfordville provides a wide array of products and services including home mortgage, agricultural, commercial loans, and consumer installment loans. Residential real estate loans comprise the largest portion of the portfolio at 49.0 percent, followed by agricultural loans at 25.1 percent, commercial loans at 14.8 percent, and consumer loans at 10.0 percent. The bank offers a variety of standard deposit products including checking, savings, money market, and certificates of deposit accounts. The bank has not introduced any new products or services since the previous examination. Details of the composition of the bank's loan portfolio are shown below.

Loan Portfolio Composition As of December 31, 2015 (\$ are in 000s)		
Category	\$	%
Residential Real Estate	15,455	49.0
Agriculture	7,910	25.1
Commercial	4,676	14.8
Consumer	3,159	10.0
Other	322	1.0
Total	31,522	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank's delivery channels are standard with one main branch and one full-service ATM. The majority of all applications are completed or hand delivered in-person at the main branch. A majority of bank transactions are done face-to-face with customers. In addition, the bank offers online banking services through its website located at www.orfordbank.com; however, customers cannot apply for loan or deposit products online. The online banking function remains primarily transactional and account inquiry-driven for checking and savings accounts.

The bank's peer group includes insured commercial banks having assets less than \$50 million, with one full service banking offices and located in a metropolitan statistical area. The banking environment is moderately competitive, stemming from multiple community banks located in the surrounding area. Local competitors for loans and deposits included: Bank of Brodhead, Anchor Bank, Associated Bank, Commercial Bank, Union Bank and Trust Company, First National Bank and Trust Company, FirstMerit Bank, and Sugar River Bank.

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on January 23, 2012.

DESCRIPTION OF ASSESSMENT AREA

The assessment area consists of two middle-income census tracts (0027.00 and 0028.00) located on the west side of the Janesville-Beloit MSA. The assessment area has not changed since the previous evaluation. The Janesville-Beloit MSA is comprised entirely of Rock County, Wisconsin, and includes 38 census tracts. The assessment area is primarily rural and without major population centers. Neither of the tracts is designated as underserved or distressed.

According to the June 30, 2015 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Farmers & Merchants Bank of Orfordville ranked 11th out of 19 FDIC-insured institutions, with a presence in Rock County. The bank held \$40.7 million in deposits, representing 2.0 percent of the total deposit market share in the county. Based on the market share report, the top two institutions by market share are BMO Harris Bank N.A and The First National Bank and Trust Company with 21.0 and 16.0 percent, respectively.

The following table presents 2015 demographic data specific to the bank's assessment area.

Assessment Area: 2015 Janesville-Beloit, WI MSA 27500									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	231	10.6	
Moderate-income	0	0.0	0	0.0	0	0.0	386	17.7	
Middle-income	2	100.0	2,179	100.0	71	3.3	556	25.5	
Upper-income	0	0.0	0	0.0	0	0.0	1,006	46.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	2	100.0	2,179	100.0	71	3.3	2,179	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied		Rental		Vacant			
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	2,986	2,504	100.0	83.9	365	12.2	117	3.9	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	2,986	2,504	100.0	83.9	365	12.2	117	3.9	
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	283	263	100.0	100.0	14	100.0	6	100.0	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	283	263	100.0	100.0	14	100.0	6	100.0	
	Percentage of Total Businesses:			92.9		4.9		2.1	
	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	112	111	100.0	100.0	1	100.0	0	0.0	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	112	111	100.0	100.0	1	100.0	0	0.0	
	Percentage of Total Farms:			99.1		0.9		0.0	
2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Characteristics

According to 2010 U.S. Census Bureau data, the population for the assessment area is 7,772, accounting for only 4.8 percent of the Janesville-Beloit MSA total population. The assessment area’s population has modestly increased 2.4 percent since 2000. In comparison, the population of the state of Wisconsin and the Janesville-Beloit MSA has increased 6.0 percent and 5.3 percent, respectively. Community representatives in the area indicated continued growth and economic development throughout Janesville-Beloit MSA have contributed to the increase in population. The following table presents a summary of population statistics for the assessment area, Janesville-Beloit MSA, and the state of Wisconsin.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change (%)
Assessment Area	7,588	7,772	2.4
Janesville-Beloit, WI MSA #27500	152,307	160,331	5.3
State of Wisconsin	5,363,675	5,686,986	6.0
Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decimal Census			

Income Characteristics

The following table presents a comparison of median family income for families living in the assessment area, Janesville-Beloit MSA, and the state of Wisconsin. The American Community Survey Census Bureau indicates a median family income for the assessment area of \$68,547, which is higher than the state of Wisconsin’s median family income of \$64,869 and the Janesville-Beloit MSA’s median family income of \$61,165. Since the 2000 Census, the assessment area has experienced an increase in median family income of 20.5 percent. The entire state of Wisconsin experienced a comparable increase of 22.6 percent.

Based on 2015 Federal Financial Institutions Examination Council (FFIEC) Census data, of the families living in the assessment area, 10.6 percent are low-income, 17.7 percent are moderate-income, 25.5 percent are middle-income, and 46.2 percent are upper-income. Approximately 3.3 percent of families in the assessment area had incomes below the poverty level at the time of the 2010 census.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income(\$)	2010 Median Family Income(\$)	Percentage Change (%)

Assessment Area	56,869	68,547	20.5
Janesville-Beloit, WI MSA #27500	53,380	61,165	14.6
State of Wisconsin	52,911	64,869	22.6
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

Bankruptcy Characteristics

The personal bankruptcy filing rate for the Janesville-Beloit MSA has declined from 2011 to 2014, mirroring the trend of the state of Wisconsin. According to the Administrative Office of the U.S. Courts, in 2014, the bankruptcy filing rate for the MSA (per 1,000 in population) was 3.8 and has steadily declined since 2011 when the rate was 4.5. By comparison, the state of Wisconsin’s 2014 bankruptcy rate has declined from 4.7 in 2011 to 3.6 in 2014. With the exception of 2014, the MSA’s bankruptcy rate has remained slightly lower than that of the state of Wisconsin. The decline in bankruptcy rates can be attributed to a strengthening economy.

Housing Characteristics

Based on 2006-2010 American Community Survey data, there are 2,986 housing units in the assessment area. Of these housing units, 83.9 percent are owner-occupied; 12.2 percent are rental; and 3.9 percent are vacant. The median housing value and median gross rent in the assessment area is \$170,601 and \$675, respectively. Since 2000, the median housing value in the assessment area has increased by 30.4 percent while median gross rent increased 25.2 percent. Both were below the state of Wisconsin which had an increase of 53.8 percent and 32.0 percent respectively. The Janesville-Beloit MSA was also below the state of Wisconsin as the median housing value increased 40.4 percent and median gross rent increased 28.5 percent. Community representatives noted that as economic conditions have improved, housing prices have gone up, the number of vacant homes has decreased, and the need for more affordable housing is increasing. The representatives expect housing values to continue rising.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D - Glossary. A higher ratio supports more affordable housing opportunities. Based on the 2006-2010 American Community Survey data, the affordability ratio for the assessment area is 0.35. Comparatively the affordability ratio for the Janesville-Beloit MSA is 0.36 and for the state of Wisconsin 0.31. Based on these ratios housing is more affordable within the assessment area and the Janesville-Beloit MSA, compared to the state of Wisconsin.

Another factor supporting improving economic conditions is the foreclosure inventory rate. The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates (FIR) at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. It excludes properties that have completed the foreclosure

cycle. Overall, the foreclosure inventory rates in the state of Wisconsin have decreased since the previous performance evaluation. Specifically, foreclosure inventory rates in Wisconsin have decreased from 3.4 percent in January 2012 to 1.2 percent in December 2014. During the same time period Janesville-Beloit MSA has seen foreclosure inventory rates decrease by 2.9 percent, respectively, as economic conditions continue to improve.

The following table shows trends in housing costs of the assessment area, Janesville-Beloit MSA, and the state of Wisconsin according to 2000 and 2010 Census Bureau data.

Trends in Housing Costs 2000 and 2010						
Location	2000 Median Housing Value (\$)	2006- 2010 Median Housing Value (\$)	2000 Median Gross Rent (\$)	2006- 2010 Median Gross Rent (\$)	2000 Affordability Ratio (%)	2006-2010 Affordability Ratio (%)
Assessment Area	130,800	170,601	539	675	0.41	0.35
Janesville-Beloit, WI MSA #27500	98,300	138,000	543	698	0.46	0.36
State of Wisconsin	109,900	169,000	540	713	0.40	0.31
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>						

Employment Conditions

The U.S. Bureau of Labor Statistics provided unemployment statistics for all applicable geographies from 2011 to 2014. Unemployment rates for the Janesville-Beloit MSA and the state of Wisconsin have moderately declined since the previous evaluation. As noted in the table below, the unemployment rate in the Janesville-Beloit MSA has declined from 9.5 percent in 2011 to 6.2 percent in 2014. The state of Wisconsin has seen similar a drop in unemployment from 7.5 percent to 5.5 percent during the same timeframe. In 2014, unemployment conditions within the Janesville-Beloit MSA and the state of Wisconsin remain consistent with the country's (United States) overall economic conditions. Community representatives attributed the decline in unemployment rates to an increase in commercial and industrial opportunities in the area.

The following table represents unemployment rates for the Janesville-Beloit MSA, state of Wisconsin, and the United State from 2011 through 2014.

Unemployment Rates				
Region	2011	2012	2013	Most recent 2014
Janesville-Beloit, WI MSA #27500	9.5	8.4	7.9	6.2
State of Wisconsin	7.5	6.9	6.7	5.5
United States	8.9	8.1	7.4	6.2
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

Moderate layoffs have occurred in the assessment area, as reported by the Department of Labor’s Worker Adjustment and Retraining Notification (WARN) report for 2010-2014. The following companies have executed layoffs outlined in the WARN report: Allied Systems Ltd. affecting 200 workers; Sanford Business to Business affecting 140 workers; Norwood Promotional Products, LLC affecting 83 workers; Southeastern Container affecting 77 workers; and Bourns Automotive Division affecting 30 workers. All the layoffs occurred in the Janesville-Beloit MSA.

The following table illustrates the largest employers operating within the Janesville-Beloit MSA. Based on data collected by the U.S. Department of Labor, there is a diverse employment based with multiple industries being represented. The industries supplying the majority of employment opportunities are health services, manufacturers, education services, retail entities, and local government.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Beloit Health System	1,517	Hospitals
Mercy Hospital-Inpatient Psyc	1,500	Mental Health Services
Ben Meadows Co	900	Internet & Catalog Shopping
Lab Safety Supply Inc	800	Safety Equipment & Clothing (Whls)
Frito-Lay Inc	701	Potato Chips (Whls)
Kerry Ingredients & Flavours	700	Food Products (Whls)
Blackhawk Technical College	501	Schools
St Mary's Janesville Hospital	500	Hospitals
Rock Haven	500	Government Offices-County
Prent Corp	500	Plastics-Vacuum/Pressure Forming (Mfrs)
Le Mans Corp	500	Outdoor Sports
Stoughton Trailers	475	Trailers-Industrial-Manufacturers

Source: InfoUSA

Community Contacts

Information was obtained from two community representatives within the assessment area. The discussions were conducted on the topics of affordable housing and economic development. The representatives discussed their views on the current economic conditions in the assessment area. One representative noted that employment opportunities, wages, and access to capital are increasing, while both acknowledged the need for more affordable housing. The community representatives' views on affordable housing are supported by the decline in affordability ratios within the assessment area, the Janesville-Beloit MSA, and the state of Wisconsin. Overall, it was noted that local financial institutions are actively involved in the community and are effectively helping to meet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Farmers & Merchants Bank of Orfordville performance relative to the lending test is rated Satisfactory. Overall, Farmers & Merchants Bank of Orfordville is meeting the credit needs of its community, based on an analysis of its lending activities. The loan-to-deposit ratio is reasonable considering the characteristics of the bank, performance of local competitors, current economic conditions, and the credit needs of its assessment area. A majority of HMDA-reportable and small farm loans are originated inside the assessment area. HMDA-reportable and small farm loans reflect reasonable geographic distribution throughout the assessment area. Loans also reflect excellent distribution among individuals of different income levels, and farms of different sizes and revenues. Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's 16-quarter average LTD ratio was evaluated relative to the bank's capacity to lend, its competitors, and its peer LTD ratios. Also considered were demographic factors, economic conditions, and lending opportunities present in the assessment area. The bank's most recent LTD ratio was 76.9 percent, with a 16-quarter average of 66.1 percent ending September 30, 2015. The bank's average LTD ratio exceeds the performance of its peer group whose average LTD ratio is 53.1 percent. Additionally, the bank's LTD is higher than some local competitors serving in the assessment area and generally in-line with other competitors identified by the bank. Ultimately, the LTD ratio indicates the bank is actively reinvesting deposits into the community through the origination of loans.

The following table illustrates the bank’s loan-to-deposit ratio for the 16-quarters since the previous evaluation dated January 23, 2012.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Farmers & Merchants Bank of Orfordville	66.1
National Peer Group 10	53.1
Competitors	
Anchor Bank FSB	78.7
Associated Bank	84.9
Bank of Brodhead	55.4
Commercial Bank	36.6
First National Bank & Trust Company	73.9
FirstMerit Bank	71.8
Sugar River Bank	71.6
Union Bank & Trust Company	65.7
*National Peer Group 14 includes all insured commercial banks having assets less than \$50 million, with one full service banking offices and located in a metropolitan statistical area.	

Assessment Area Concentration

A majority of Home Mortgage Disclosure Act (HMDA) - reportable and small farm loans, by number and dollar volume, are originated in the assessment area, indicating the bank is actively servicing the surrounding community. As presented in the table below, 61.4 percent of total loans by volume, and 50.3 percent by dollar amount were originated inside the assessment area. Specifically small farm lending had the highest concentration inside the assessment area.

Although a majority of HMDA-reportable loans were originated outside of the assessment area, several of the loans were to borrowers who reside in the Orfordville area and have purchased properties outside of the assessment area. Further, the bank has several borrowers who have moved outside of the assessment area but have maintained their relationship with the bank. The following table summarized the bank’s lending inside and outside its assessment area by product.

Lending Inside and Outside the Assessment Area												
Loan Type - Description	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase - Conventional	15	37.5	1,056	37.2	25	62.5	1,781	62.8	40	100.0	2,837	100.0

Home Improvement	11	57.9	713	50.6	8	42.1	697	49.4	19	100.0	1,410	100.0
Refinancing	12	66.7	545	52.2	6	33.3	499	47.8	18	100.0	1,044	100.0
Total HMDA related	38	49.4	2,314	43.7	39	50.6	2,977	56.3	77	100.0	5,291	100.0
Small Farm	51	75.0	1,446	66.1	17	25.0	743	33.9	68	100.0	2,189	100.0
Total Small Farm related	51	75.0	1,446	66.1	17	25.0	743	33.9	68	100.0	2,189	100.0
TOTAL LOANS	89	61.4	3,760	50.3	56	38.6	3,720	49.7	145	100.0	7,480	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

The assessment area contains only middle-income census tracts; therefore, a limited analysis was performed to evaluate the dispersion of loans within the assessment area. The geographic distribution of HMDA-reportable and small farms loans reflects reasonable dispersion throughout the assessment area.

Lending to Borrowers of Different Income Levels and to Farms of Different Sizes

The overall distribution of loans, based on borrower income and revenue, reflects excellent penetration among individuals of different income levels and farms of different revenue sizes. The bank serves its low- and moderate-income borrowers and small farms with excellent responsiveness to the credit needs within the assessment area. Based on overall volume, HMDA-reportable loans and small farm loans were weighted equally; however, due to low loan volume in the assessment area multi-family loans will not be discussed.

HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans among low- and moderate-income borrowers reflects excellent penetration among individuals of different income levels. The bank originated 23.7 percent by volume and 14.7 percent by dollar amount to low-income borrowers. Based on 2014 FFIEC Census Data, low-income families comprise 10.6 percent of the assessment area's family. Comparatively, the bank was also well above the aggregate lending level of 5.8 percent by volume and 2.9 percent by dollar amount.

The bank also originated 23.7 percent by volume and 36.9 percent by dollar amount of HMDA-reportable loans to moderate-income borrowers. The bank's performance was again well above the aggregate lending level of 16.6 percent by volume and 10.8 percent by dollar amount. Performance was also above demographics with 17.7 percent of families in the assessment area being moderate-income. This level of activity is considered excellent as lending exceeds the aggregate and the percentage of families by family income.

Home Purchase

Home purchase loans represent 39.5 percent of the bank's total HMDA-reportable loans in 2014. Lending to low-income borrowers (13.3 percent) exceeded the aggregate (3.1 percent) and the percentage of low-income families in the assessment area (10.6 percent). Lending to moderate-income borrowers (20.0 percent) was slightly below the aggregate (21.2 percent) but exceeded moderate-income families in the assessment area (17.7 percent).

In 2014, lending to middle-income borrowers (53.3 percent) was significantly above the aggregate (30.1 percent) and the percentage of middle-income families in the assessment area (25.5 percent). The bank originated 6.7 percent of its home purchase loans to upper-income borrowers, which is significantly below the performance of the aggregate (32.1 percent) and the percentage of upper-income families in the assessment area (46.2 percent).

Refinance

Refinance loans represent 31.6 percent of the bank's total HMDA-reportable loans in 2014. Lending to low-income borrowers (50.0 percent) was significantly above the aggregate (8.8 percent) and the percentage of low-income families in the assessment area (10.6 percent). Lending to moderate-income borrowers (25.0 percent) was also significantly above the aggregate (12.7 percent) and exceeded the percentage of moderate-income families in the assessment area (17.7 percent).

In 2014, the bank originated no refinance loans to middle-income borrowers, which is significantly below the performance of the aggregate (28.3 percent) and the percentage of middle-income families in the assessment area (25.5 percent). Lending to upper-income borrowers (25.0 percent) was below the aggregate (38.0 percent) and the percentage of upper-income families in the assessment area (46.2 percent).

Home Improvement

Home improvement loans represented 28.9 percent of the bank's total HMDA-reportable loans in 2014. Lending to low-income borrowers (9.1 percent) exceeded the aggregate (4.3 percent) but was slightly below the percentage of low-income families in the assessment area (10.6 percent). Lending to moderate-income borrowers (27.3 percent) significantly exceeded the aggregate (15.2 percent) and the percentage of moderate-income families in the assessment area (17.7 percent)

In 2014, lending to middle-income borrowers (27.3 percent) was slightly above the aggregate (26.1 percent) and the percentage of middle-income families in the assessment area (25.5 percent). The bank originated 36.4 percent of its home improvement loans to upper-income borrowers, which is

below the performance of the aggregate (47.8 percent) and the percentage of upper-income families in the assessment area (46.2 percent).

The following table provides detailed information regarding the bank's HMDA-reportable lending by borrower income level.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2014 Janesville-Beloit, WI MSA 27500								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison					Families by Family Income %	
		2014			Dollar			
		Count		Agg	Bank			Agg
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	2	13.3	3.1	82	7.8	1.4	10.6
	Moderate	3	20.0	21.2	387	36.6	17.2	17.7
	Middle	8	53.3	30.1	438	41.5	25.1	25.5
	Upper	1	6.7	32.1	115	10.9	40.1	46.2
	Unknown	1	6.7	13.5	34	3.2	16.2	0.0
	Total		15	100.0	100.0	1,056	100.0	100.0
Refinance	Low	6	50.0	8.8	232	42.6	5.0	10.6
	Moderate	3	25.0	12.7	155	28.4	7.4	17.7
	Middle	0	0.0	28.3	0	0.0	21.6	25.5
	Upper	3	25.0	38.0	158	29.0	53.1	46.2
	Unknown	0	0.0	12.2	0	0.0	12.9	0.0
	Total		12	100.0	100.0	545	100.0	100.0
Home Improvement	Low	1	9.1	4.3	27	3.8	1.3	10.6
	Moderate	3	27.3	15.2	311	43.6	13.1	17.7
	Middle	3	27.3	26.1	126	17.7	19.0	25.5
	Upper	4	36.4	47.8	249	34.9	60.1	46.2
	Unknown	0	0.0	6.5	0	0.0	6.5	0.0
	Total		11	100.0	100.0	713	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	10.6
	Moderate	0	0.0	0.0	0	0.0	0.0	17.7
	Middle	0	0.0	0.0	0	0.0	0.0	25.5
	Upper	0	0.0	0.0	0	0.0	0.0	46.2
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	9	23.7	5.8	341	14.7	2.9	10.6
	Moderate	9	23.7	16.6	853	36.9	10.8	17.7
	Middle	11	28.9	28.7	564	24.4	20.8	25.5
	Upper	8	21.1	36.3	522	22.6	43.3	46.2
	Unknown	1	2.6	12.6	34	1.5	22.3	0.0
	Total		38	100.0	100.0	2,314	100.0	100.0
Originations & Purchases								
2014 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Farm Loans

The borrower distribution of small farm lending represents excellent penetration among farms of different sizes. Within the assessment area, 99.1 percent of area farms report revenues of \$1 million or less. The bank’s lending to farms was exclusively to borrowers with gross annual revenues of \$1 million or less. Of the bank’s loans, 92.2 percent were originated in amounts of \$100,000 or less, which are the types of loans that are most beneficial to small farms. The following table illustrates the bank’s farm lending by revenue and loan size.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: Janesville-Beloit, WI MSA 27500							
Product Type		Bank & Demographic Comparison					
		November 1, 2014 through October 31, 2015					
		Count Bank		Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	51	100.0	1,445	99.9	99.1
		Over \$1 Million or Unknown	0	0.0	1	0.1	0.9
		Total	51	100.0	1,446	100.0	100.0
	Loan Size	\$100,000 or Less	47	92.2	948	65.6	
		\$100,001 - \$250,000	4	7.8	497	34.4	
		\$250,001 - \$500,000	0	0.0	0	0.0	
		Total	51	100.0	1,445	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	47	92.2	948	65.6	
		\$100,001 - \$250,000	4	7.8	497	34.4	
		\$250,001 - \$500,000	0	0.0	0	0.0	
		Total	51	100.0	1,445	100.0	

Originations & Purchases
2014 & 2015 FFIEC Census Data & 2014 & 2015 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

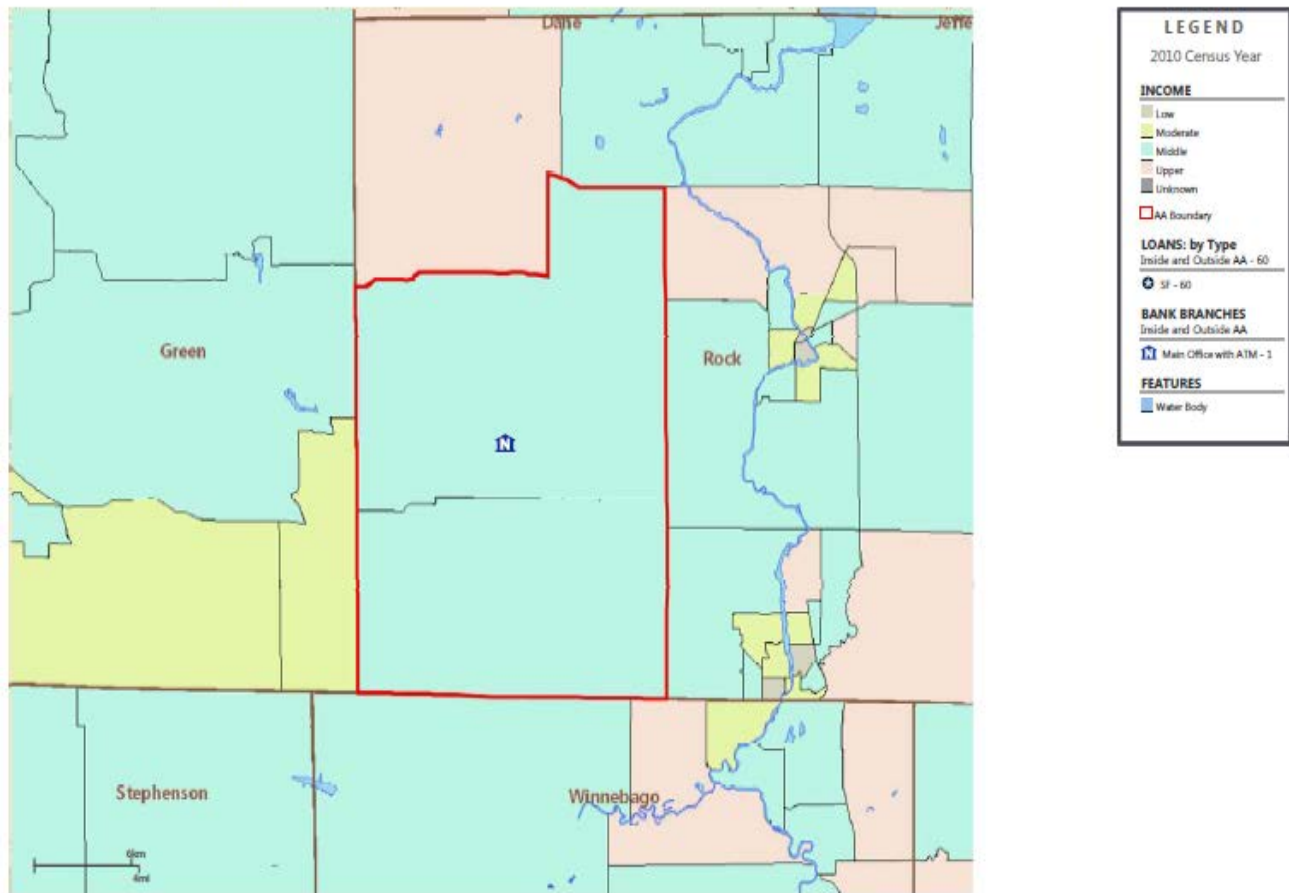
Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

Farmers and Merchants 41245
Janesville-Beloit, WI MSA 27500



APPENDIX B – 2014 Assessment Area Demographics

Assessment Area: 2014 Janesville-Beloit, WI MSA 27500									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	231	10.6	
Moderate-income	0	0.0	0	0.0	0	0.0	386	17.7	
Middle-income	2	100.0	2,179	100.0	71	3.3	556	25.5	
Upper-income	0	0.0	0	0.0	0	0.0	1,006	46.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	2	100.0	2,179	100.0	71	3.3	2,179	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	2,986	2,504	100.0	83.9	365	12.2	117	3.9	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	2,986	2,504	100.0	83.9	365	12.2	117	3.9	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	266	100.0	237	100.0	15	100.0	14	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	266	100.0	237	100.0	15	100.0	14	100.0	
Percentage of Total Businesses:			89.1		5.6		5.3		
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	121	100.0	120	100.0	1	100.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	121	100.0	120	100.0	1	100.0	0	0.0	
Percentage of Total Farms:			99.2		0.8		0.0		
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Appendix C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Loan to Deposit Ratio – 16 Quarter Average (December 31, 2011 – September 30, 2015). Assessment Area Concentration – HMDA-reportable loans originated from January 1, 2014 through December 31, 2014. Agricultural (small farm) loans originated from November 1, 2014 through October 31, 2015. Geographic/Borrower Distribution – HMDA-reportable loans originated from January 1, 2014 through December 31, 2014. Agricultural (small farm) loans originated from November 1, 2014 through October 31, 2015.		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Farmers & Merchants Bank of Orfordville			HMDA Reportable Loans Agricultural (Small Farms)
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Janesville-Beloit, Wisconsin MSA #27500 – census tracts 0027.00 and 0028.00	Full scope	None	None

APPENDIX D - Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They 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.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the

rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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

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 lenders in the MSA/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 (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

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.

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

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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