

PUBLIC DISCLOSURE

June 21, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Farmers & Merchants Bank
RSSD# 574949

123 West Huron Street
Berlin, Wisconsin 54923

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

The Farmers & Merchants Bank is rated Satisfactory.

The Farmers & Merchants Bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Farmers & Merchants Bank's performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution CRA Examination Procedures. The full-scope evaluation considered the bank's asset size, business strategy, competition, and its assessment area's demographics, economic characteristics, and credit needs. Major products reviewed included home mortgage and small business loans. Small business lending received greater weight as it represents a majority of the loan portfolio by volume and dollar amount. The Farmers & Merchants Bank's assessment area is comprised of Green Lake and Waushara Counties in their entireties (WI Non-Metropolitan Statistical Area (Non-MSA)) and two census tracts in Winnebago County (Oshkosh-Neenah, WI MSA #36780).

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

- ***Loan-to-Deposit Ratio*** – A 19-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's home mortgage and small business loans originated from January 1, 2020 to December 31, 2020, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's home mortgage and small business loans originated in the assessment area, from January 1, 2020 to December 31, 2020, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank's home mortgage and small business loans originated in the assessment area, from January 1,

2020 to December 31, 2020, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- **Response to Substantiated Complaints** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: affordable housing and economic development.

DESCRIPTION OF INSTITUTION

The Farmers & Merchants Bank, with total assets of \$436.1 million as of March 31, 2021, is a wholly owned subsidiary of Kujawa Family Holdings, Inc, a one-bank holding company located in Berlin, Wisconsin. The bank operates one main office and one drive-up branch, both located in Berlin, Wisconsin. The Farmers & Merchants Bank has four automated teller machines (ATMs), including a full-service ATM located at each office and two cash-only ATMs also located in Berlin, Wisconsin. No branches have been opened or closed since the previous evaluation.

The Farmers & Merchants Bank offers a traditional line of loan and deposit products to meet the credit needs of consumers and businesses within the bank’s assessment area. The bank is primarily a commercial lender, but also offers residential mortgages, agricultural loans, and consumer installment and single pay loans. Deposit products include checking, savings, money market and NOW accounts, in addition to certificates of deposit. The website, www.fmberlin.com, provides additional information on the bank’s loan and deposit products and other services offered.

As noted above, the bank’s loan portfolio is composed primarily of commercial loans (66.9 percent), followed by residential real estate loans (21.8 percent).

Loan Portfolio Composition March 31, 2021		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Commercial	222,379	66.9
Residential Real Estate	72,578	21.8
Agricultural	29,784	9.0
Consumer	7,746	2.3
Other	65	0.0
Total	332,552	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		

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, 2017.

DESCRIPTION OF ASSESSMENT AREA

The Farmers & Merchants Bank delineates one assessment area in Wisconsin consisting of the entirety of both Green Lake and Waushara Counties (WI Non-MSA) and two census tracts in Winnebago County from the Oshkosh-Neenah, WI MSA. At the prior examination, the bank delineated six census tracts between Green Lake (three census tracts), Waushara (two census tracts), and Winnebago Counties (one census tract). In response to growth in the bank's loan portfolio, the bank now delineates the entirety of Green Lake and Waushara Counties, as well as one additional census tract in Winnebago County.

The 15 census tracts within the current assessment area include one moderate-income, 13 middle-income, and one upper-income tract. The assessment area does not include any distressed or underserved non-metropolitan middle-income geographies. The assessment area contains the bank's main office and one drive-up branch, both located in middle-income census tracts in Berlin, Wisconsin; as well as the two cash-only ATMs, one of which is located in a moderate-income census tract and one of which is located in a middle-income census tract in Berlin, Wisconsin.

According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, The Farmers & Merchants Bank ranked 4th out of 20 FDIC-insured institutions operating in the assessment area. The bank held approximately \$280.2 million in deposits, representing 8.0 percent of the total deposit market share in Green Lake, Waushara, and Winnebago Counties. By comparison, the top three institutions by market share were Associated Bank, National Association (18.5 percent), Nicolet National Bank (14.5 percent), and Fortifi Bank (9.1 percent).

The following table displays the demographics of the assessment area by income categories, housing units, and total businesses and farms by tract for the year 2020.

Assessment Area: 2020 Combined AA								
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	2,761	18.6
Moderate-income	1	6.7	925	6.2	166	17.9	3,036	20.5
Middle-income	13	86.7	13,137	88.6	751	5.7	3,412	23.0
Upper-income	1	6.7	764	5.2	25	3.3	5,617	37.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	15	100.0	14,826	100.0	942	6.4	14,826	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	1,478	780	4.5	52.8	570	38.6	128	8.7
Middle-income	26,789	15,466	89.7	57.7	3,990	14.9	7,333	27.4
Upper-income	1,961	995	5.8	50.7	229	11.7	737	37.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	30,228	17,241	100.0	57.0	4,789	15.8	8,198	27.1
	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	155	7.6	137	7.4	18	11.9	0	0.0
Middle-income	1,701	83.0	1,546	83.2	117	77.5	38	92.7
Upper-income	194	9.5	175	9.4	16	10.6	3	7.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,050	100.0	1,858	100.0	151	100.0	41	100.0
Percentage of Total Businesses:				90.6		7.4		2.0
	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	3	1.2	3	1.2	0	0.0	0	0.0
Middle-income	240	93.0	224	92.6	15	100.0	1	100.0
Upper-income	15	5.8	15	6.2	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	258	100.0	242	100.0	15	100.0	1	100.0
Percentage of Total Farms:				93.8		5.8		0.4
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Population Characteristics

Between 2010 and 2015, the populations of Green Lake and Waushara Counties decreased slightly by 0.4 and 0.7 percent, respectively. During the same period Winnebago County increased by 1.2 percent and the state of Wisconsin increased by 1.0 percent. The community representatives stated population in the assessment area has been stable with slow growth in more populated areas such as Winnebago County.

Population Change 2010 and 2015			
Area	2010 Population	2015 Population	Percentage Change
Green Lake County, WI	19,051	18,966	-0.4
Waushara County, WI	24,496	24,321	-0.7
Winnebago County, WI	166,994	169,004	1.2
State of Wisconsin	5,686,986	5,742,117	1.0

Source: 2010—U.S. Census Bureau: Decennial Census
2011-2015—U.S. Census Bureau: American Community Survey

Income Characteristics

The table below presents the median family income (MFI) for families living in the assessment area compared to the state of Wisconsin. As of 2015, the MFI in Waushara County was \$56,675, representing a noticeable 12.9 percent increase from the 2010 data. However, the MFI for Waushara County is still the lowest within the assessment area. Green Lake County presents a slight decrease of 1.9 percent, with an MFI of \$60,068. One community representative stated that MFI in the broader region has increased, and that the decrease in MFI in Green Lake County may be attributed to retirees with lower fixed incomes moving into the county. Winnebago County's increase of 2.8 percent is below the state of Wisconsin's increase of 4.9 percent; however, the MFIs are comparable at \$67,477 and \$68,064, respectively.

Median Family Income Change 2010 and 2015			
Area	2006-2010 Median Family Income (In 2010 Dollars)	2011-2015 Median Family Income (In 2015 Dollars)	Percentage Change
Green Lake County, WI	61,232	60,068	-1.9
Waushara County, WI	50,189	56,675	12.9
Winnebago County, WI	65,646	67,477	2.8
State of Wisconsin	64,869	68,064	4.9

Source: 2006-2010—U.S. Census Bureau: American Community Survey
2011-2015—U.S. Census Bureau: American Community Survey

Housing Characteristics

The following table presents the housing cost trends in the assessment area and the state of

Wisconsin. Median housing values in Green Lake, Waushara, and Winnebago Counties increased 2.0, 0.5, and 1.9 percent, respectively. One community representative explained that many homes in Green Lake County near or on the lake are more expensive compared to those located in more rural counties such as Waushara, as there is limited inventory and low turnover. The state of Wisconsin, alternatively, had a decrease of 1.9 percent with a median housing value of \$165,800.

The median gross rents have increased in the assessment area and in the state of Wisconsin. Waushara County has the largest increase with a change of 11.1 percent. Community representatives stated rents have been increasing in the area due to limited housing supply and some investors renting to the highest bidders. The supply of affordable housing is also low and difficult to acquire. In addition, a community representative noted that while housing costs have increased in the rural counties, they are still lagging compared to metropolitan areas.

A common method of comparing relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio represents more affordable housing. Based on 2011-2015 American Community Survey data, the affordability rate for Green Lake and Waushara Counties is comparable to the state of Wisconsin, while Winnebago County is slightly more affordable.

Trends in Housing Costs 2010 and 2015							
Location	2006-2010 Median Housing Value (\$)	2011-2015 Median Housing Value (\$)	% Change	2006-2010 Median Gross Rent (\$)	2011-2015 Median Gross Rent (\$)	% Change	Housing Affordability Ratio 2011-2015
Green Lake County, WI	137,500	140,300	2.0	564	615	9.0	0.33
Waushara County, WI	136,600	137,300	0.5	594	660	11.1	0.33
Winnebago County, WI	140,500	143,100	1.9	623	678	8.8	0.36
State of Wisconsin	169,000	165,800	-1.9	713	776	8.8	0.32

Source: U.S. Census Bureau: American Community Survey, 2006-2010 and 2011-2015

Employment Conditions

The following table presents the unemployment rates in the assessment area and the state of Wisconsin. Based on the Bureau of Labor Statistics, unemployment steadily decreased in the assessment area and the state of Wisconsin between 2016 and 2018 but increased in 2019. One community representative confirmed that unemployment rates in many counties in the region were low prior to the pandemic, while both community representatives indicated that unemployment was not an issue during the pandemic. Green Lake and Waushara Counties have seen unemployment rates higher than the state of Wisconsin in general for the years noted in the table below. Winnebago County, alternatively, had an unemployment rate of 3.0 percent in 2019, which was lower than the unemployment rate for the same time in the state of Wisconsin (3.3 percent).

Unemployment Rates				
Region	2016	2017	2018	2019
Green Lake County, WI	5.0	3.7	3.3	3.9
Waushara County, WI	5.2	4.0	3.5	4.1
Winnebago County, WI	3.7	3.0	2.7	3.0
State of Wisconsin	4.1	3.3	3.0	3.3

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Conditions

The largest employers in the assessment area are in Winnebago County. The majority of the assessment area’s total employment is in manufacturing and with hospitals, but there is a significant employment base in other industries as well. A community representative stated some of the larger manufacturers are busier than ever with increased shifts for employees. The greatest industry need is workforce, which presented challenges even prior to the pandemic. Another difficulty local employers face is that even when workers are available, they do not have the necessary skill sets. In addition to workforce challenges, many manufacturers have encountered supply chain issues because of the pandemic.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Spectrum Software	2,000	Computer Software
Kimberly-Clark Corporation	2,000	Sanitary Paper Products (Mfrs)
University Of WI-Oshkosh	1,205	Schools-Universities & Colleges Academic
J J Keller & Associates Incorporated	1,200	Business Management Consultants
Neenah Foundry Co	1,000	Foundries-Steel (Mfrs)
Aurora Medical Ctr-Oshkosh	1,000	Hospitals
Ascension NE Wi-Mercy Hospital	900	Hospitals
Theda Clark Regional Medical Center	817	Hospitals
N & M Transfer	800	Trucking
Oshkosh Corrections Department	700	Government Offices-State

Source: Business information provided by Infogroup®, Omaha, NE

Community Representatives

Two community representatives with knowledge of economic development and affordable housing were contacted during this evaluation to gain a greater understanding of credit needs within the assessment area. Both representatives discussed the housing affordability issues with a need for a greater supply of both rental and owner-occupied units; however, this is dependent on location and not necessarily an issue in every county within the assessment area.

Despite the pandemic, unemployment in the assessment area has not been an issue. Some large manufacturers have multiple shifts and cannot find enough labor. Alternatively, one representative stated some individuals were unable to stay in their higher-paying manufacturing

jobs during the pandemic. For example, when schools closed, individuals with families were less able to work from home.

One community representative mentioned it was difficult to communicate with larger banks in the area; however, now that bank lobbies are reopening this is improving. Overall, the representatives feel the financial institutions are serving the community's needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

The Farmers & Merchants Bank's performance relative to the lending test is rated Satisfactory based on the following factors: the loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition and assessment area credit needs; a majority of loans are in the assessment area; the borrower distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes; and the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

Loan-to-Deposit Ratio

The Farmers & Merchants Bank's LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The following table shows the bank's 19-quarter average LTD ratio from September 30, 2016 to March 31, 2021, in comparison to local competitors. The bank LTD ratio averaged 95.4 percent compared to 88.9 percent at the previous evaluation. In comparison to local institutions, only one competitor ratio exceeds that of The Farmers & Merchants Bank. The increase in the bank's LTD ratio since the previous examination, as well as its ranking among area competitors, demonstrates the bank's willingness to lend to borrowers.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	19 – Quarter Average
The Farmers & Merchants Bank	95.4
Competitors	
Bank First NA	93.0
Citizens Community Federal NA	100.3
Fortifi Bank	85.7
National Exchange Bank & Trust	73.3
Nicolet National Bank	80.7

Assessment Area Concentration

A majority of loans are in the assessment area. During the evaluation period the bank originated 53.7 percent of home mortgage loans and 62.7 percent of small business loans, by number, in the assessment area. In total, 57.0 percent of total loans were originated in the assessment area indicating that the bank is serving the credit needs of its community. The following table provides the bank’s lending inside and outside the assessment area for the period of January 1, 2020 to December 31, 2020.

Assessment Area Concentration								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	79	53.7	\$13,339	38.1	68	46.3	\$21,647	61.9
Total Non-HMDA	79	53.7	\$13,339	38.1	68	46.3	\$21,647	61.9
Small Business	52	62.7	\$2,475	24.5	31	37.3	\$7,630	75.5
Total Small Bus. Related	52	62.7	\$2,475	24.5	31	37.3	\$7,630	75.5
TOTAL LOANS	131	57.0	\$15,814	35.1	99	43.0	\$29,277	64.9

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Small business lending received the most weight as it represents a majority of the loan portfolio by volume and dollar amount. Additionally, a gap analysis was completed as part of the evaluation, and based upon this analysis, there were no conspicuous or unexplained lending gaps in the contiguous census tracts within the assessment area.

Home Mortgage Loans

The distribution of home mortgage loans is reasonable. In 2020, the bank originated 15.2 percent of home mortgage loans, by number, within the moderate-income census tract, which was significantly above the owner-occupied percentage of units (4.5 percent). The following table provides specific information regarding the bank’s distribution of home mortgage lending by census tract income levels from January 1, 2020, through December 31, 2020.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2020 Combined AA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2020				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	12	15.2	1,406	10.5	4.5
	Middle	63	79.7	10,991	82.4	89.7
	Upper	4	5.1	942	7.1	5.8
	Unknown	0	0.0	0	0.0	0.0
	Total		79	100.0	13,339	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The distribution of small business loans is reasonable. In 2020, the bank originated 19.2 percent of small business loans, by number, within the moderate-income census tract. This was significantly above the percentage of total businesses (7.6 percent). The following table provides detailed information regarding the bank’s distribution of small business lending by geographic census tract income levels from January 1, 2020, through December 31, 2020.

Geographic Distribution of Small Business Loans						
Assessment Area: 2020 Combined AA						
	Tract Income Levels	Bank & Demographic Comparison				Total Businesses %
		2020				
		Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	10	19.2	917	37.1	7.6
	Middle	38	73.1	1,311	53.0	83.0
	Upper	4	7.7	247	10.0	9.5
	Unknown	0	0.0	0	0.0	0.0
	Total		52	100.0	2,475	100.0
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

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

The distribution of loans to individuals of different income levels, including low- and moderate-income, and businesses of different sizes, reflects reasonable penetration. Overall, the bank is responsive to the credit needs of low- and moderate-income borrowers and small businesses within its assessment area. Small business lending received the most weight as it represents a majority of the loan portfolio by volume and dollar amount.

Home Mortgage

The distribution of home mortgage loans among borrowers of different income levels is reasonable. In 2020, the bank originated 7.6 percent of home mortgage loans to borrowers designated as low-income, performing below the percentage of families designated low-income at 18.6 percent. With respect to moderate-income borrowers, the bank originated 22.8 percent of home mortgage loans, which exceeded the percentage of families designated moderate-income at 20.5 percent. The following table provides specific information regarding the bank’s distribution of home mortgage lending by borrower income level from January 1, 2020, through December 31, 2020.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2020 Combined AA						
	Borrower Income Levels	Bank & Demographic Comparison 2020				Families by Family Income %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	6	7.6	491	3.7	18.6
	Moderate	18	22.8	1,951	14.6	20.5
	Middle	16	20.3	2,414	18.1	23.0
	Upper	39	49.4	8,483	63.6	37.9
	Unknown	0	0.0	0	0.0	0.0
	Total	79	100.0	13,339	100.0	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The distribution of small business loans among businesses of different revenue sizes is reasonable. The bank originated 88.5 percent of loans to businesses with gross revenue of \$1 million or less, which is slightly below the percentage of such businesses in the assessment area at 90.6 percent. Of those loans to businesses with gross revenue of \$1 million or less, 84.8 percent were in amounts of \$100,000 or less, which are most beneficial to small businesses. The bank’s lending activity demonstrates a willingness to support small businesses within the assessment area. The following table provides detailed information on the bank’s distribution of small business loans by revenue and loan size from January 1, 2020, through December 31, 2020.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2020 Combined AA							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Businesses %	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	46	88.5	2,072	83.7	90.6
		Over \$1 Million or Unknown	6	11.5	403	16.3	9.4
		Total	52	100.0	2,475	100.0	100.0
	Loan Size	\$100,000 or Less	44	84.6	963	38.9	
		\$100,001 - \$250,000	6	11.5	836	33.8	
		\$250,001 - \$1 Million	2	3.8	676	27.3	
		Total	52	100.0	2,475	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	39	84.8	677	32.7	
		\$100,001 - \$250,000	5	10.9	719	34.7	
		\$250,001 - \$1 Million	2	4.3	676	32.6	
		Total	46	100.0	2,072	100.0	
	Originations & Purchases						
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Response to Complaints

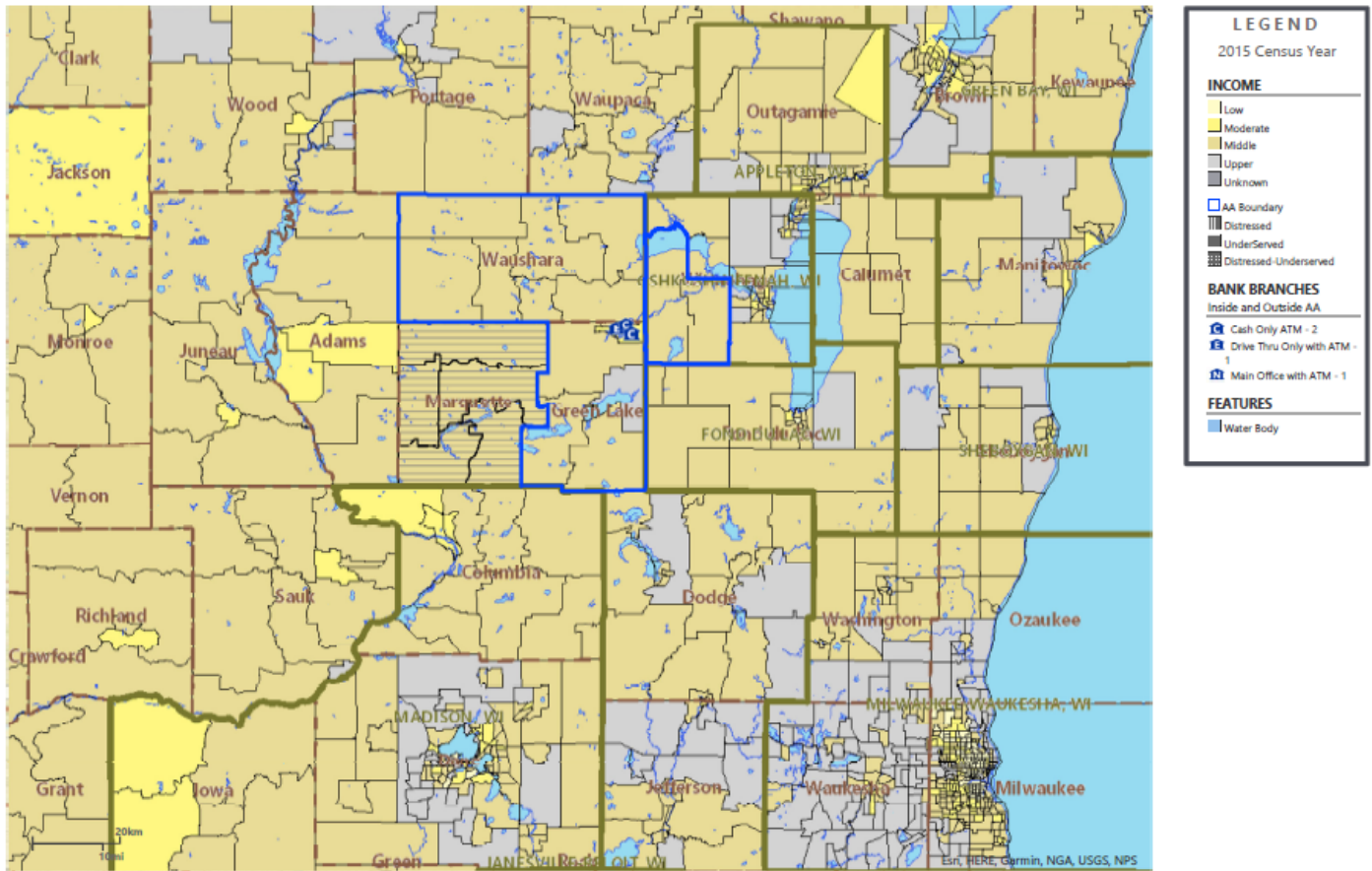
Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

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

The Farmers & Merchants Bank 574949
Assessment Area



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Home mortgage loans from January 1, 2020 to December 31, 2020 Small business loans from January 1, 2020 to December 31, 2020	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
The Farmers & Merchants Bank			Home Mortgage Small Business
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
WI Non-MSA (Green Lake and Waushara Counties) Oshkosh-Neenah, WI MSA 36780 (Two Census Tracts in Winnebago County)	Full scope review	None	None

APPENDIX C – 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.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. 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
4. 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 definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) 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 or 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 services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;

- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 (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 single core 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.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).