

PUBLIC DISCLOSURE

August 21, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers & Merchants Savings Bank
RSSD# 863746

101 East Main Street
Manchester, Iowa 52057

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.

TABLE OF CONTENTS

PERFORMANCE EVALUATION	2
SCOPE OF EXAMINATION	2
DESCRIPTION OF ASSESSMENT AREA	4
DESCRIPTION OF INSTITUTION.....	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	6
LENDING TEST	6
COMMUNITY DEVELOPMENT TEST.....	8
STATE OF IOWA	10
DESCRIPTION OF INSTITUTION’S OPERATIONS IN IOWA.....	10
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA	10
CEDAR RAPIDS, IOWA MSA #16300 – FULL REVIEW	12
DESCRIPTION OF INSTITUTION’S OPERATIONS IN CEDAR RAPIDS, IOWA MSA #16300	12
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CEDAR RAPIDS, IOWA MSA #16300	18
NON-MSA DELAWARE COUNTY, IOWA – LIMITED REVIEW.....	28
DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA DELAWARE COUNTY, IOWA	28
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA DELAWARE COUNTY, IOWA.....	31
STATE OF MINNESOTA	37
DESCRIPTION OF INSTITUTION’S OPERATIONS IN MINNESOTA	37
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA.....	37
MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MINNESOTA-WISCONSIN, MSA #33460 – FULL REVIEW.....	39
DESCRIPTION OF INSTITUTION’S OPERATIONS IN MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MINNESOTA-WISCONSIN, MSA #33460.....	39
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MINNESOTA-WISCONSIN, MSA #33460	45
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	51
APPENDIX A – MAP OF THE ASSESSMENT AREAS	52
APPENDIX B – SCOPE OF EXAMINATION	53
APPENDIX C – 2021 DEMOGRAPHICS TABLES.....	54
APPENDIX D – 2021 HMDA LENDING TABLES	57
APPENDIX E - GLOSSARY.....	63

INSTITUTION'S CRA RATING

Farmers & Merchants Savings Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Farmers & Merchants Savings Bank (Farmers & Merchants) is meeting the credit needs of its community and consistent with its branch, locations, asset size, and local economic conditions within its delineated assessment areas, based on an analysis of lending and community development activity. The average loan-to-deposit ratio is reasonable given the bank's size, financial condition and combined assessment area credit needs. A majority of the bank's loans are originated within the combined assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Loan penetration among individuals of different income levels and to businesses and farms of different sizes is reasonable. Neither Farmers & Merchants nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

The bank's community development performance demonstrates adequate responsiveness to the needs of its combined assessment area through community development loans, qualified investments and donations, and community development services. The performance is appropriate considering the bank's capacity and the need and availability of such opportunities for community development within the combined assessment area.

SCOPE OF EXAMINATION

Farmers & Merchants' CRA performance was evaluated using the Federal Financial Institutions Examination Council (FFIEC) Interagency Examination Procedures for Intermediate Small Institutions. The evaluation analyzed information about the institution and its assessment area, including asset size, financial condition, competition, and economic and demographic characteristics.

The bank delineates three assessment areas consisting of a portion of the Cedar Rapids, Iowa Metropolitan Statistical Area #16300 (Cedar Rapids MSA); Delaware County, Iowa (Non-MSA Iowa); and a portion of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA #33460 (Minneapolis MSA). For this evaluation, both the Cedar Rapids MSA and the Minneapolis MSA were selected for full-scope reviews based on economic and demographic characteristics, lending and deposit volume, and community development needs. Performance within the state of Iowa carries more weight in the overall performance rating as it contains the majority of deposits, bank branches, and loan volume. The Non-MSA Iowa assessment area was selected for a limited scope review and evaluated for consistency with the bank's performance in the full scope review assessment area in the state of Iowa. The bank's performance in the limited scope review did not affect the overall rating.

Loan products reviewed during the evaluation include Home Mortgage Disclosure Act (HMDA) reportable loans from January 1, 2021 to December 31, 2022, and small business and small farm loans from January 1, 2022 to December 31, 2022. These products represent the bank's primary business lines based on volume by number and dollar amount. However, the bank did not originate any small farm loans in the Minneapolis MSA. The bank's level of community development activities, from July 28, 2020 to August 21, 2023, was also evaluated.

Performance within the designated assessment areas was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 13-quarter average loan-to-deposit ratio ending on June 30, 2023 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2021 to December 31, 2022, and statistical samples of small business and small farm loans originated from January 1, 2022 to December 31, 2022, were reviewed to determine the percentage of loans originated within the combined assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2021 to December 31, 2022, and statistical samples of small business and small farm loans originated from January 1, 2022 to December 31, 2022, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank's HMDA-reportable loans originated from January 1, 2021 to December 31, 2022, and statistical samples of small business and small farm loans originated from January 1, 2022 to December 31, 2022, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms of 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.
- ***Community Development Activities*** – The bank's responsiveness to community development needs through community development loans, qualified investments and donations, and community development services, from July 28, 2020 to August 21, 2023, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, three 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 ASSESSMENT AREA

Farmers & Merchants' combined assessment area includes two assessment areas in northeast Iowa, including a portion of the Cedar Rapids, Iowa Metropolitan Statistical Area #16300 (Cedar Rapids MSA), and Delaware County in non-metropolitan Iowa (Non-MSA Iowa); with the third assessment area located in the state of Minnesota, consisting of a portion of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA #33460 (Minneapolis MSA). For the Cedar Rapids MSA, the bank includes Jones and Linn counties in their entirety with the county seats being the cities of Anamosa (Jones County) and Cedar Rapids (Linn County). The Non-MSA Iowa assessment area consists of Delaware County in its entirety with the town of Manchester serving as its county seat. For the Minneapolis MSA, the bank takes Anoka and Ramsey counties in their entirety, with the cities of Anoka and St. Paul serving as the county seats, respectively.

As of 2022, the combined assessment area has a total of 298 census tracts of which 115 (38.6 percent) are designated as low- or moderate-income (LMI) census tracts, with 98 LMI census tracts (85.2 percent) located in the Minneapolis MSA, and the remaining 17 LMI census tracts (14.8 percent) located in the Cedar Rapids MSA. The LMI census tracts contain 92,958 families, or 33.3 percent of all families in the combined assessment area. There are 469,489 total housing units located in the combined assessment area of which 36.0 percent are in LMI census tracts. Of the total housing units in the combined assessment area, 66.2 percent are owner-occupied, but with only 29.5 percent of the total housing units in LMI census tracts, indicating more limited housing-related lending opportunities in the LMI areas. Businesses and farms with \$1 million or less in total annual revenue (small businesses and small farms) represent 90.6 and 98.8 percent, respectively, of all businesses and farms in the assessment area. Small businesses in the Minneapolis MSA comprise 78.8 percent of all small businesses in the combined assessment area compared to only 19.6 percent in the Cedar Rapids MSA. Conversely, small farms in the Minneapolis MSA represent only 27.4 percent of the total small farms as opposed to 52.1 percent in the Cedar Rapids MSA. Overall, the data supports greater opportunities for small farm lending in the Cedar Rapids MSA while significantly more small business opportunities within the Minneapolis MSA. There are no distressed or underserved middle-income census tracts within the combined assessment area.

DESCRIPTION OF INSTITUTION

Farmers & Merchants is a wholly owned subsidiary of Dunn Investment Company, a one-bank financial holding company headquartered in Manchester, Iowa. Manchester is located in northeastern Iowa, approximately 50 miles north of Cedar Rapids, Iowa, where the bank maintains

its main office and a majority of its operations. In addition to the main office, the bank operates six full-service branch offices, a limited-service drive-through only branch, and four automated teller machines (ATMs) of which three are full-service and one is cash-only. Since the prior CRA evaluation, the bank closed one full-service ATM at the Circle Pines, Minnesota branch in November 2021, which has been factored in the forementioned ATM totals.

As of March 31, 2023, the bank reported total assets of \$582.6 million based on the Uniform Banking Performance Report (UBPR), representing 0.2 percent growth since the previous evaluation. The bank’s loan portfolio is comprised of 66.7 percent commercial, industrial, and non-farm non-residential loans; 17.4 percent agricultural and farmland loans; and 11.0 percent residential real estate loans.

The bank provides a variety of retail banking products that are uniformly available to the communities in its combined assessment area. Loan and deposit products are standard and generally non-complex and include, but are not limited to, the following: commercial, agricultural, 1-4 family adjustable-rate and balloon loans, home equity loans and home equity lines of credit, construction temporary financing, and consumer unsecured and auto-secured loans. Additionally, the bank participates in various government-sponsored loan programs offered through the Small Business Administration (SBA), Farm Service Agency (FSA), Veterans Administration (VA), and more recently the Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. Deposit products include demand deposits, money market accounts, negotiable orders of withdrawal, certificates of deposits, and overdraft protection. Customers may also conduct online banking transactions and apply for mortgage loans through the bank’s website at www.fmbankia.com.

Details of the bank’s loan portfolio mix is presented in the following table.

Composition of Loan Portfolio as of March 31, 2023 (\$ in 000's)		
Type	\$	%
Commercial	279,750	66.7
Agriculture	73,042	17.4
Residential Real Estate	45,918	11.0
Consumer	7,466	1.8
Other	13,123	3.1
Total Loans	419,299	100.0
<i>Note: Percentages may not total 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 July 27, 2020.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Farmers & Merchants' performance relative to the lending test is Satisfactory based on a loan-to-deposit (LTD) ratio that is reasonable given the bank's size, financial condition and assessment area credit needs; a majority of loans and other lending related activities are in the assessment areas; the geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment areas; and the distribution of loans to individuals of different income levels and businesses and farms of different sizes reflects reasonable penetration. The bank's lending test performance in the state of Iowa's full review assessment area (Cedar Rapids MSA) carries more weight in the overall performance based on the concentration of deposits, loan volume, and branches.

Loan-to-Deposit Ratio

Farmers & Merchants had a reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its combined assessment areas, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments.

As of June 30, 2023 the bank's 13-quarter average loan-to-deposit (LTD) ratio was 82.3 percent, which is higher than five of its seven local competitors listed in the table below.

Comparative Loan-to-Deposit Ratios as of June 30, 2023	
Comparative Data	13-Quarter Average (%)
Farmers & Merchants Savings Bk	82.3
Peer Avg - Local	78.1
Competitors	
First Resource Bank	100.9
Cedar Rapids Bank & Trust Co.	97.3
Community Savings Bank	81.1
Farmers State Bank	80.1
North Star Bank	70.3
Village Bank	64.4
Citizens State Bank	52.7

Assessment Area Concentration

Farmers & Merchants made a majority of its loans, and as appropriate, other lending-related activities in the bank’s assessment area. The following tables summarize Farmers & Merchants’ lending inside and outside its combined assessment area for HMDA-reportable loans from January 1, 2021 to December 31, 2022, and a statistical sample of small business and small farm loans from January 1, 2022 to December 31, 2022.

As illustrated in the table below, a majority of the bank’s loans by number and dollar volume, at 68.7 percent and 58.6 percent, respectively, were originated within its combined assessment area. By product, the bank originated 68.2 percent by number and 58.6 percent by dollar of HMDA-reportable loans, 71.5 percent by number and 58.2 percent by dollar of small business loans, and 68.0 percent by number and 59.0 percent by dollar of small farm loans inside the combined assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	6	66.7	210	17.9	3	33.3	963	82.1
Home Purchase – Conventional	126	67.7	25,944	58.3	60	32.3	18,560	41.7
Multi-Family Housing	7	38.9	1,594	22.1	11	61.1	5,626	77.9
Refinance	225	70.1	43,250	63.4	96	29.9	25,013	36.6
Total HMDA-Related (2021-2022)	364	68.2	70,998	58.6	170	31.8	50,162	41.4
Small Business-Related (2022)	88	71.5	12,736	58.2	35	28.5	9,133	41.8
Small Farm-Related (2022)	51	68.0	7,695	59.0	24	32.0	5,345	41.0
Total Loans	503	68.7	91,428	58.6	229	31.3	64,640	41.4

Geographic and Borrower Distribution

Farmers & Merchants demonstrated a reasonable geographic distribution of loans given the bank's assessment areas. In addition, Farmers & Merchants’ distribution of loans to individuals of different income (including low- and moderate-income) levels and to businesses and farms of different revenue sizes is reasonable given the demographics of the bank's assessment areas. The performance in the Cedar Rapids MSA carries more weight in the overall performance under the geographic distribution and borrower distribution criteria of the Lending test. The specifics of the bank’s lending in each assessment area and relevant demographics are discussed in the individual full review assessment areas.

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

Lending, Investment, and Services Activities

Farmers & Merchants demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. The bank's community development test performance in the state of Iowa's full review assessment area (Cedar Rapids MSA) carries more weight in the overall performance based on the concentration of deposits, loan volume, and branches.

During the evaluation period, Farmers & Merchants originated 597 qualified loans for approximately \$24.2 million within its combined assessment areas and the broader statewide and regional area. Almost three-quarters of the qualified loans by number (74.9 percent) and more than half by dollars (65.3 percent) were originated in the state of Iowa. A total of 109 community development loans, for approximately \$5.9 million, were originated in the broader statewide and regional area (BSRA) and enhanced the bank's performance. Community development lending significantly increased by number but decreased by dollar since the previous evaluation where the bank made 158 qualified loans totaling \$64.5 million. The larger number of loans but decreased dollar amounts were due to the bank's community development loans consisting entirely of loans funded through the Paycheck Protection Program (PPP) where a substantial number of these government-subsidized loans were made available to small businesses to combat the economic impacts of COVID-19. PPP loans were specifically designed to benefit small businesses in assisting to retain jobs. Therefore, these loans are considered very responsive to the needs of the assessment area. Additional details of community development lending performance can be found in the individual full-review assessment area discussions.

The bank made three new qualified community development investments totaling approximately \$13.5 million in municipal bonds towards revitalizing and stabilizing local communities within its combined assessment area. Of the total investment amounts, \$11.5 million, or 85.2 percent, was allocated within the Minneapolis MSA, with the remaining \$2.0 million benefitting the Cedar Rapids MSA. This performance is notably higher than the bank's performance from the previous evaluation which consisted of two investments totaling \$760,000. Donations for community development purposes totaled 37 donations for \$57,691. This is comparable to the previous evaluation, where the bank made 48 donations totaling \$49,000. Of the qualified donations, a majority were toward community services targeted to meet the needs of LMI individuals and households, economic development, and to revitalize and stabilize activities within the assessment

areas. Additional details of community development contributions can be found in the individual full-review assessment area discussions.

Lastly, bank staff provided 1,737 hours of community development services since the prior evaluation. A majority of the total number of service hours (65.9 percent) were dedicated to organizations with an economic development focus. Bank employees mostly engaged in assisting with financial planning, resource allocation services, and serving as board and committee members for several of these organizations. The bank’s service hours were consistent with the prior evaluation where the bank had 1,667 total community development service hours. Additional information with respect to the bank’s community development services is provided within the full review assessment area sections.

Community Development Activities July 28, 2020 - August 21, 2023								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$	#	\$	#	\$	#	Hours
Full Review								
Cedar Rapids, IA MSA #16300	243	12,643,102	1	2,000,000	24	32,601	44	656
Minneapolis-St. Paul - Bloomington, Minnesota- Wisconsin, MSA #33460	41	2,521,567	2	11,470,000	5	10,669	9	247
Limited Review								
Non-MSA Delaware County, IA	204	3,159,190	0	-	8	14,420	7	799
BSRA	109	5,873,953	0	-	0	-	1	35
Combined Assessment Area								
Total Qualified	597	24,197,813	3	13,470,000	37	57,691	61	1,737

STATE OF IOWA

CRA RATING FOR IOWA:

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The CRA rating for the state of Iowa is Satisfactory. The rating is based on the institution's performance in the full-scope Cedar Rapids MSA. The geographic distribution of loans throughout the assessment area is reasonable, as is the distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and services, considering the bank's capacity and the need and availability of such opportunities.

SCOPE OF EXAMINATION

The Cedar Rapids MSA was selected for a full-scope review, while Non-MSA Iowa was evaluated under a limited-scope review. The scope of examination is consistent with that described within the "Scope of Examination" section on page two of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN IOWA

Farmers & Merchants delineates two assessments areas in the state of Iowa: Cedar Rapids MSA and Non-MSA Iowa. The city of Cedar Rapids is the largest city within the bank's Iowa assessment areas. Within the state, the bank operates five branches, including its main office in Manchester, Iowa; a limited-service, drive-through branch; two full-service ATMs; and one cash-only ATM. Please see the individual assessment area summaries for demographic and economic conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA

LENDING TEST

Farmers & Merchants' performance relative to the lending test in the state of Iowa is Satisfactory. The bank's lending test performance in the state of Iowa is based on its performance in the full-review assessment area (Cedar Rapids MSA). See the full-review assessment area summary section for additional details.

Geographic and Borrower Distribution

Farmers & Merchants' lending activities reflect reasonable distribution throughout the full-review assessment area within the state of Iowa. The bank's performance relative to HMDA-reportable lending and small business and farm lending is reasonable.

Farmers & Merchants' lending activities reflect reasonable distribution among the individuals of different income levels and to businesses of different sizes, given the product lines offered by the bank.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the lending test Satisfactory. See the individual full review assessment area summary section for additional details.

Lending, Investments, and Services Activities

Farmers & Merchants' community development activities are satisfactory. The bank demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services throughout the state of Iowa.

CEDAR RAPIDS, IOWA MSA #16300 – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Cedar Rapids MSA. The scope of examination is consistent with that described within the "Scope of Examination" section on page two of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CEDAR RAPIDS, IOWA MSA #16300¹

The Cedar Rapids, Iowa MSA #16300 includes Benton, Linn, and Jones Counties, all within the state of Iowa. The bank has delineated a portion of the MSA as its assessment area to include Linn and Jones Counties in their entirety (Cedar Rapids MSA). Although the assessment area delineation is unchanged since the previous evaluation, the composition and total number of census tracts increased from 50 to 61 census tracts, a result of revisions based on the 2020 decennial census and 2016-2020 American Community Survey (ACS). Based on 2022 FFIEC Census data, the assessment area is composed of one low-income, 16 moderate-income, 34 middle-income, nine upper-income, and one unknown-income census tracts. The one unknown census tract is primarily occupied by commercial real estate and shopping centers, with a population size that limits the ability to appropriately designate an income-level for the census tract.

The Census Tract Designation Changes table below shows changes in the income designation of census tracts by income since the previous performance evaluation.

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). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	2	1	-1
Moderate	12	16	4
Middle	29	34	5
Upper	6	9	3
Unknown	1	1	0
Total	50	61	11
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i>			

Within the assessment area, the bank operates two branch offices and one cash-only ATM in Cedar Rapids, one branch and a full-service ATM in Anamosa, and one branch in Monticello. The Cedar Rapids and Anamosa branches are all located in a moderate-income census tract, while the Monticello branch is located in a middle-income census tract.

According to the June 30, 2022 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Farmers & Merchants ranked seventh of 31 FDIC-insured financial institutions operating in the assessment area with 3.3 percent of market share. Financial institutions above 10.0 percent market share include Cedar Rapids Bank and Trust Company (18.3 percent), U.S. Bank National Association (13.7 percent), Farmers State Bank (12.6 percent), Hills Bank and Trust Company (11.4 percent), and Wells Fargo Bank, National Association (10.4 percent). The 30 competitors in the bank’s market have 79 total offices in the assessment area.

In 2022, the bank ranked 29th among 238 HMDA-reporters, originating 51 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, GreenState Credit Union, originated 2,490 HMDA-reportable loans.

Additional 2022 assessment area demographic information is provided in the following table. Please refer to Appendix C for 2021 demographic information.

2022 Cedar Rapids, IA MSA 16300 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	1.6	193	0.3	92	47.7	11,859	19.0
Moderate	16	26.2	11,760	18.9	1,244	10.6	11,872	19.1
Middle	34	55.7	36,153	58.0	2,299	6.4	14,372	23.1
Upper	9	14.8	13,744	22.1	290	2.1	24,215	38.9
Unknown	1	1.6	468	0.8	47	10.0	0	0.0
Total AA	61	100.0	62,318	100.0	3,972	6.4	62,318	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	771	92	0.1	11.9	492	63.8	187	24.3
Moderate	24,025	13,525	18.2	56.3	8,602	35.8	1,898	7.9
Middle	62,067	43,742	58.9	70.5	13,810	22.3	4,515	7.3
Upper	18,709	16,707	22.5	89.3	1,211	6.5	791	4.2
Unknown	1,440	210	0.3	14.6	1,099	76.3	131	9.1
Total AA	107,012	74,276	100.0	69.4	25,214	23.6	7,522	7.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	502	4.7	408	4.3	88	9.0	6	4.7
Moderate	2,330	21.8	2,094	21.8	218	22.2	18	14.0
Middle	5,551	51.9	5,042	52.6	438	44.6	71	55.0
Upper	2,000	18.7	1,791	18.7	175	17.8	34	26.4
Unknown	316	3.0	254	2.6	62	6.3	0	0.0
Total AA	10,699	100.0	9,589	100.0	981	100.0	129	100.0
Percentage of Total Businesses:				89.6		9.2		1.2
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	1	0.2	1	0.2	0	0.0	0	0.0
Moderate	20	3.5	20	3.5	0	0.0	0	0.0
Middle	450	79.1	446	78.9	3	100.0	1	100.0
Upper	98	17.2	98	17.3	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	569	100.0	565	100.0	3	100.0	1	100.0
Percentage of Total Farms:				99.3		0.5		0.2
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Characteristics

The table below presents the population trends for the assessment area compared to the Cedar Rapids MSA in its entirety and the state of Iowa, from 2015 to 2020. According to the 2020 U.S. Census Bureau demographic data, the assessment area’s population was 250,945, which represents an increase of 5.8 percent from 2015. This was modestly higher than the rate of change in the Cedar Rapids MSA in its entirety at 5.1 percent and notably higher than the state of Iowa at 3.1 percent. Within the assessment area, the population increased the highest in Linn County (6.3 percent).

Population Change 2011-2015 and 2020			
Area	2011-2015 Population	2020 Population	Percent Change
Assessment Area	237,200	250,945	5.8%
Jones County, IA	20,560	20,646	0.4%
Linn County, IA	216,640	230,299	6.3%
Cedar Rapids, IA MSA #16300	263,003	276,520	5.1%
Iowa	3,093,526	3,190,369	3.1%
<i>Source: 2020 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau American Community Survey</i>			

Income Characteristics

According to the U.S. Census Bureau American Community Survey (ACS) Data, the assessment area is comprised of 62,318 families, of which 19.0 percent are designated as low-income, 19.1 percent are moderate-income, 23.1 percent are middle-income, and 38.9 percent are upper-income families. Further, 6.4 percent of families residing within the assessment area live below the poverty level, which is lower than the state of Iowa poverty rate of 7.1 percent.

The following table compares the median family income (MFI) for the counties that comprise the assessment area, the Cedar Rapids MSA in its entirety, and the state of Iowa. According to the 2015-2020 Census Bureau data, the MFI in the state of Iowa increased by 7.4 percent. Additionally, the MFI increased throughout all counties and the assessment area, with Jones County experiencing the greatest increase at 8.5 percent, outpacing the state of Iowa at 7.4 percent, and more than doubling Linn County which experienced an increase of 3.6 percent. According to a community representative, low unemployment has increased wages among larger employers, and made it harder for smaller entities to hire sufficient staff.

Median Family Income Change 2011-2015 and 2016-2020			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	\$82,679	\$84,003	1.6%
Jones County, IA	\$72,283	\$78,432	8.5%
Linn County, IA	\$84,168	\$87,195	3.6%
Cedar Rapids, IA MSA #16300	\$82,830	\$85,854	3.7%
Iowa	\$73,712	\$79,186	7.4%

*Source: 2011 - 2015 U.S. Census Bureau American Community Survey
2016 - 2020 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.*

Housing Characteristics

According to the 2020 FFIEC census data, there are 107,012 total housing units in the assessment area with only 0.7 percent located in the one low-income census tract and 22.5 percent in the 16 moderate-income tracts. Over half (56.3 percent) of the housing units in the moderate-income tracts but only 11.9 percent of units in the low-income tract, are owner-occupied. Additionally, a notable 24.3 percent of the housing units in the low-income census tract are vacant. Home mortgage trends reflect steady demand for home purchases in the assessment area of 12,711 and 13,189 in 2020 and 2021, respectively, with a notable increase of 3,321 total home mortgages in 2020. A community representative stated that the residential real estate market has become much stronger over the past year, as homeowners are spending funds to renovate and repair existing homes. Further, affordable housing is a need throughout the assessment area.

The housing cost burden, which is a calculation to help understand poverty and housing outcomes, is outlined in the table below. The housing cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Within the assessment area, 37.0 percent of all renters are considered housing cost burdened. Of the cost burdened renters, 72.1 percent are low-income, while 15.5 percent are moderate-income renters. For homeowners, 15.3 percent are experiencing housing cost burden within the assessment area, but like renters, the majority are low-income owners at 63.3 percent. A community representative stated with new home inventory being low, combined with high demand and high construction input costs, the price of new housing has risen substantially.

Housing Cost Burden						
Area	Cost Burden – Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	72.1%	15.5%	37.0%	63.3%	25.5%	15.3%
Jones County, IA	69.8%	6.4%	33.8%	61.9%	23.7%	17.0%
Linn County, IA	72.3%	16.2%	37.2%	63.4%	25.7%	15.2%
Cedar Rapids, IA MSA	70.2%	15.0%	36.2%	61.2%	25.3%	15.3%
Iowa	70.6%	17.7%	37.7%	56.8%	22.5%	15.0%

Cost Burden is housing cost that equals 30 percent or more of household income
Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy

Employment Conditions

As the following table illustrates, unemployment rates remained low throughout the assessment area, including Jones and Linn counties, as well as the state of Iowa in 2018 and 2019. In 2020, however, the trend reversed with the onset of the COVID-19 pandemic at which time the unemployment rates essentially doubled across the assessment area, the Cedar Rapids MSA in its entirety, and the state of Iowa. Starting in 2021 through August 2022, the unemployment rates recovered notably to near pre-pandemic levels. Overall, however, in the assessment area the unemployment rate has tracked approximately one-half of a percentage point higher than that of the state of Iowa. A community representative stated that there is economic growth throughout the area and unemployment continues to trend low.

Unemployment Rates (%)					
Area	2018	2019	2020	2021	2022*
Assessment Area	2.8%	2.8%	6.2%	5.0%	3.4%
Jones County, IA	3.0%	3.0%	5.6%	4.5%	3.6%
Linn County, IA	2.8%	2.8%	6.2%	5.0%	3.4%
Cedar Rapids, IA MSA #16300	2.8%	2.8%	6.0%	4.9%	3.4%
Iowa	2.5%	2.6%	5.1%	4.2%	3.0%

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics
** 2022 YTD Annual Average through August 2022*

Industry Characteristics

Manufacturing, health care, and retail trade are the three largest industry sectors by employees in the assessment area. A community representative stated that the SBA PPP loans, and other stimulus packages, supported many small businesses in the area but that main street businesses in rural areas are struggling due to the preference of shoppers to go to larger retail areas. Commercial

development and industries in the county are growing slowly, but steadily. In Linn County farmers are buying and improving equipment, which in turn helps the manufacturing sector, according to a community representative. Agriculture-related industries are also doing well. The community representative also stated that the agricultural sector has become stronger, mainly due to increasing commodity prices.

Community Representatives

One community representative was contacted during the evaluation to provide information regarding local economic and demographic conditions within the assessment area. The representative provided information on housing, employment, economic development needs, as well as information about how the COVID-19 pandemic affected the local economy. The representative also discussed the financial challenges and how local financial institutions could be more involved. The community representative identified affordable housing as a need throughout the assessment area, and local communities are very active in pursuing government subsidies for housing credit programs. The representative further stated that the main credit needs in the area are for general agriculture, business credit related to minority and women-owned businesses, as well as rural main street small business credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CEDAR RAPIDS, IOWA MSA #16300

LENDING TEST

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data². Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

Farmers and Merchants demonstrates reasonable geographic distribution of loans given the bank's assessment area. In addition, an analysis of the dispersion of loans indicated no conspicuous geographic lending gaps in the census tracts throughout the assessment area. Home purchase and refinance loans were the primary focus of HMDA-reportable lending in the assessment area. Based on the low loan volume of home improvement and multi-family loans, these products carried no weight and are not discussed.

² The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)

HMDA-Reportable Loans

Farmers & Merchants Bank demonstrates reasonable geographic distribution of loans given the bank's assessment area. In 2022, the bank originated 24.5 percent of HMDA-reportable loans by number in moderate-income tracts, which is above the aggregate of lenders (aggregate) at 20.7 percent, as well as the percentage of owner-occupied units (18.2 percent) in the assessment area. The bank did not originate any HMDA-reportable loans in the one low-income census tract, which is consistent with aggregate at 0.3 percent and the percentage of owner-occupied units at 0.1 percent. The very low percentage of owner-occupied units in the low-income tract also indicates lending opportunities are limited overall.

The bank's performance in 2021 was consistent with its performance in 2022. Farmers & Merchants Bank originated 1.7 and 16.9 percent of its HMDA-reportable loans in low- and moderate-income census tracts, respectively, which is comparable to aggregate at 1.1 percent and 16.4 percent, respectively. This was also comparable to the percentage of low- and moderate-income owner-occupied units in the assessment area at 1.2 percent and 17.8 percent, respectively.

Home Purchase

In 2022, home purchase loans represented 53.1 percent of the bank's total HMDA-reportable loans in the assessment area by number. Farmers & Merchants did not originate any home purchase loans in the one low-income census tract. The bank's performance is comparable to the aggregate at 0.3 percent and the percentage of owner-occupied units at 0.1 percent. The bank originated 19.2 percent of its home purchase loans in moderate-income census tracts. The bank's performance is below aggregate at 22.8 percent but above the 18.2 percent of owner-occupied units.

The bank's performance in 2021 was consistent with its performance in 2022.

Refinance

In 2022, refinance loans represented 36.7 percent of the bank's total HMDA-reportable loans in the assessment area. Although the bank did not originate any refinance loans in the low-income census tract, the bank's performance is comparable to the aggregate at 0.2 percent and the percentage of owner-occupied units at 0.1 percent. The bank originated 27.8 percent of its refinance loans in moderate-income census tracts, which is significantly above both the aggregate at 18.7 percent and the 18.2 percent of owner-occupied units in the assessment area.

The bank's performance in 2021 was consistent with its performance in 2022.

The following table presents the bank's geographic distribution of HMDA-reportable loans in 2022. See Appendix D for 2021 lending tables.

Distribution of 2022 Home Mortgage Lending By Income Level of Geography							
Assessment Area: Cedar Rapids, IA MSA 16300							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Home Purchase Loans							
Low	0	0.0	0.3	0	0.0	0.1	0.1
Moderate	5	19.2	22.8	848	15.7	15.9	18.2
Middle	14	53.8	54.2	2,084	38.7	51.4	58.9
Upper	7	26.9	22.4	2,457	45.6	32.2	22.5
Unknown	0	0.0	0.4	0	0.0	0.3	0.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	26	100.0	100.0	5,389	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	0.2	0	0.0	0.1	0.1
Moderate	5	27.8	18.7	766	29.7	13.0	18.2
Middle	12	66.7	56.9	1,669	64.7	54.5	58.9
Upper	1	5.6	23.7	145	5.6	32.0	22.5
Unknown	0	0.0	0.6	0	0.0	0.4	0.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	18	100.0	100.0	2,580	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0.2	0	0.0	0.2	0.1
Moderate	0	0.0	15.6	0	0.0	12.1	18.2
Middle	2	100.0	55.2	135	100.0	55.0	58.9
Upper	0	0.0	28.4	0	0.0	32.4	22.5
Unknown	0	0.0	0.6	0	0.0	0.2	0.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	2	100.0	100.0	135	100.0	100.0	100.0
Multifamily Loans							
Low	0	0.0	3.6	0	0.0	0.3	2.9
Moderate	2	66.7	46.4	481	81.1	64.0	34.1
Middle	1	33.3	46.4	112	18.9	29.4	52.8
Upper	0	0.0	0.9	0	0.0	5.6	4.2
Unknown	0	0.0	2.7	0	0.0	0.7	6.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	593	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0.0	0.3	0	0.0	0.1	0.1
Moderate	12	24.5	20.7	2,095	24.1	20.7	18.2
Middle	29	59.2	54.8	4,000	46.0	49.5	58.9
Upper	8	16.3	23.7	2,602	29.9	29.3	22.5
Unknown	0	0.0	0.5	0	0.0	0.4	0.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	49	100.0	100.0	8,697	100.0	100.0	100.0
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Small Business Loans

The geographic distribution of small business loans is reasonable. No loans were originated in the low-income census tract where 4.7 percent of businesses were located. The bank originated 14.8 percent of small business loans by number in moderate-income census tracts, which was significantly below the percentage of businesses located in moderate-income census tracts at 21.8 percent. However, the percentages of loans by dollar (24.6 percent) in moderate-income census tracts was comparable to the percentage of businesses. Bank management also indicated that many of the small businesses that they maintain relationships with, including those in low- and moderate-income areas, were not seeking additional funding in 2022 after the receipt of significant funding in 2020 and 2021 through the Small Business Administration’s Paycheck Protection Program.

The following table presents the bank’s geographic distribution of small business loans in 2022.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: Cedar Rapids, IA MSA 16300					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	4.7
Moderate	8	14.8	1,987	24.6	21.8
Middle	31	57.4	3,886	48.2	51.9
Upper	14	25.9	2,132	26.4	18.7
Unknown	1	1.9	60	0.7	3.0
Tract-Unk	0	0.0	0	0.0	
Total	54	100.0	8,065	100.0	100.0

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Farm Loans

The geographic distribution of small farm loans is reasonable. No loans were originated in the low-income census tract where the total percentage of farms in low-income tracts was only 0.2 percent. However, the bank originated one loan in the moderate-income census tracts (7.1 percent), which was significantly above the percentage of farms in moderate-income tracts at 3.5 percent.

The following table presents the bank’s geographic distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Income Level of Geography					
Assessment Area: Cedar Rapids, IA MSA 16300					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.2
Moderate	1	7.1	40	1.7	3.5
Middle	12	85.7	2,219	96.1	79.1
Upper	1	7.1	50	2.2	17.2
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	14	100.0	2,309	100.0	100.0

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

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

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

For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals³. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

Farmers & Merchants demonstrates a reasonable distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes given the demographics of the bank's assessment area. Home purchase and refinance loans were the primary focus of HMDA-reportable lending in the evaluation. Based on the low loan volume of home improvement and multi-family loans, these products carried no weight and are not discussed.

HMDA-Reportable Loans

The bank's distribution of HMDA-reportable loans reflects reasonable penetration among borrowers of different income levels. In 2022, the bank originated 8.7 percent and 13.0 percent of its HMDA-reportable loans by number to low- and moderate-income borrowers, respectively. This was somewhat below the aggregate to low-income borrowers at 12.1 percent and significantly below the aggregate to moderate-income borrowers at 22.8 percent, as well as significantly below the percentage of low- and moderate-income families in the assessment area at 19.0 percent and 19.1 percent, respectively. Bank management indicated that HMDA lending to low- and moderate-

³ Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).

income borrowers was impeded by the changing interest rate environment, which more persistently impacts lower income borrowers, as well as a lack of housing inventory for purchase.

The bank's performance in 2021 was consistent with its performance in 2022. Farmers & Merchants Bank HMDA-reportable lending in low- and moderate-income tracts at 6.8 percent and 13.7 percent, respectively, was below or significantly below aggregate at 12.1 percent and 20.7 percent, respectively. The bank's lending was also significantly below the percentage of low- and moderate-income families in the assessment area at 18.8 percent and 18.2 percent, respectively.

Home Purchase

In 2022, Farmers & Merchants originated 11.5 percent and 7.7 percent of its home purchase loans by number to low- and moderate-income families, respectively, which is slightly below the aggregate to low-income borrowers at 13.4 and significantly below the aggregate to moderate-income borrowers at 22.8 percent. The bank's performance is also significantly below the percentage of low- and moderate-income families by family income at 19.0 percent and 19.1 percent, respectively.

The bank's performance in 2021 was consistent with its performance in 2022.

Refinance

In 2022, the bank originated 5.6 and 22.2 percent of its refinance loans by number to low- and moderate-income families, respectively, which is significantly below the aggregate at 11.6 percent to low-income families, but comparable to aggregate at 24.4 percent for moderate-income families. The bank's performance is also significantly below the percentage of low-income families at 19.0, but above the percentage of moderate-income families in the assessment area at 19.1 percent.

The bank's performance in 2021 was consistent with its performance in 2022.

The following table presents the bank's borrower distribution of HMDA-reportable loans in 2022. See Appendix D for 2021 lending tables.

Distribution of 2022 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Cedar Rapids, IA MSA 16300							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Home Purchase Loans							
Low	3	11.5	13.4	337	6.3	7.6	19.0
Moderate	2	7.7	22.8	260	4.8	17.3	19.1
Middle	5	19.2	20.3	911	16.9	20.3	23.1
Upper	10	38.5	23.1	2,577	47.8	33.8	38.9
Unknown	6	23.1	20.3	1,304	24.2	21.0	0.0
Total	26	100.0	100.0	5,389	100.0	100.0	100.0
Refinance Loans							
Low	1	5.6	11.6	117	4.5	7.0	19.0
Moderate	4	22.2	24.4	392	15.2	18.8	19.1
Middle	2	11.1	22.2	510	19.8	21.1	23.1
Upper	6	33.3	25.2	1,018	39.5	34.6	38.9
Unknown	5	27.8	16.8	543	21.0	18.5	0.0
Total	18	100.0	100.0	2,580	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	7.5	0	0.0	4.7	19.0
Moderate	0	0.0	21.3	0	0.0	14.3	19.1
Middle	0	0.0	27.1	0	0.0	22.2	23.1
Upper	1	50.0	37.5	35	25.9	45.4	38.9
Unknown	1	50.0	6.6	100	74.1	13.4	0.0
Total	2	100.0	100.0	135	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	4	8.7	12.1	454	5.6	7.3	19.0
Moderate	6	13.0	22.8	652	8.0	17.3	19.1
Middle	7	15.2	21.5	1,421	17.5	20.5	23.1
Upper	17	37.0	26.2	3,630	44.8	35.2	38.9
Unknown	12	26.1	17.4	1,947	24.0	19.7	0.0
Total	46	100.0	100.0	8,104	100.0	100.0	100.0
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							
Multifamily loans are not included in the borrower distribution analysis.							

Small Business Loans

The distribution of loans to businesses of different sizes is reasonable. The 2022 sample included 54 small business loans, of which 48.1 percent were originated to businesses with gross revenues equal to or less than \$1 million. This is significantly below the percentage of small businesses in the assessment area at 89.6 percent. However, of the 26 loans originated to small businesses, 76.9 percent of the loans were in amounts of \$100,000 or less, which are generally considered the most

beneficial to small businesses, indicating the bank’s willingness to meet the credit needs of small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2022.

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Cedar Rapids, IA MSA 16300					
	Bank Loans				Total Businesses
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	26	48.1	2,080	25.8	89.6
Over \$1 Million	17	31.5	3,600	44.6	9.2
Revenue Unknown	11	20.4	2,386	29.6	1.2
Total	54	100.0	8,065	100.0	100.0
By Loan Size					
\$100,000 or Less	39	72.2	1,424	17.7	
\$100,001 - \$250,000	8	14.8	1,501	18.6	
\$250,001 - \$1 Million	7	13.0	5,141	63.7	
Total	54	100.0	8,065	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	20	76.9	689	33.1	
\$100,001 - \$250,000	5	19.2	751	36.1	
\$250,001 - \$1 Million	1	3.8	640	30.8	
Total	26	100.0	2,080	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Small Farm Loans

The distribution of loans to farms of different sizes is reasonable. The 2022 sample included 14 loans to farms, of which 78.6 percent were to farms with gross revenues equal to or less than \$1 million, which is below the demographic composition of small farms in the assessment area at 99.3 percent. Of the 11 loans provided to small farms, 45.5 percent were in an amount equal to or less than \$100,000, which are considered most beneficial to small farms, thus indicating the bank’s willingness to meet the credit needs of small farms.

The following table presents the bank’s borrower distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Cedar Rapids, IA MSA 16300					
	Bank Loans				Total Farms
	#	#%	\$(000)	%	%
By Revenue					
\$1 Million or Less	11	78.6	1,901	82.3	99.3
Over \$1 Million	1	7.1	300	13.0	0.5
Revenue Unknown	2	14.3	108	4.7	0.2
Total	14	100.0	2,309	100.0	100.0
By Loan Size					
\$100,000 or Less	7	50.0	342	14.8	
\$100,001 - \$250,000	3	21.4	517	22.4	
\$250,001 - \$500,000	4	28.6	1,450	62.8	
Total	14	100.0	2,309	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	5	45.5	234	12.3	
\$100,001 - \$250,000	3	27.3	517	27.2	
\$250,001 - \$500,000	3	27.3	1,150	60.5	
Total	11	100.0	1,901	100.0	
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

COMMUNITY DEVELOPMENT TEST

Lending, Investment, and Services Activities

Farmers & Merchants demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. The bank’s community development lending consisted entirely of loans originated under the Paycheck Protection Program (PPP) to assist businesses negatively impacted by the COVID-19 pandemic.

Lending

During this evaluation period, the bank originated 243 qualified community development loans totaling approximately \$12.6 million going towards the community development purpose focused on revitalization and stabilization within the assessment area. While the total amount of community development loans in dollar volume is a decrease from the previous evaluation of \$62.0 million, the total number of loans increased from the 145 loans noted in the prior evaluation.

This is the result of the loans made under the PPP program which are typically of smaller dollar amounts but more directly impact the needs of small businesses impacted by COVID-19.

Investments

The bank made one new investment during the evaluation period for \$2.0 million going towards a municipal bond funding an infrastructure project benefitting low- and moderate-income census tracts within Cedar Rapids. The bond supports the development of critical infrastructure (roads, communications systems, restoration of abandoned buildings, among other things) in downtown Cedar Rapids following damage sustained from repeated flooding in the last decade. The bank's performance is an increase from the previous evaluation in dollar amount where the bank made two qualified investments totaling \$760,000. Additionally, the bank made 24 qualified donations totaling \$32,601 to community organizations with a focus on community services and economic development activities that benefit LMI individuals in the assessment area. This is a decrease from the previous evaluation where the bank made 37 qualified donations totaling \$42,375.

Services

During the evaluation period, banking personnel contributed 656 hours of community development services. Of the total number of service hours, a majority (52.5 percent) were dedicated to community service organizations with an economic development focus, while 47.4 percent were focused on community services for LMI individuals. The number of service hours is slightly less than the 682 services hours provided in the prior evaluation.

NON-MSA DELAWARE COUNTY, IOWA – LIMITED REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA DELAWARE COUNTY, IOWA⁴

Farmers & Merchants’ Non-MSA Iowa assessment area consists of Delaware County in its entirety. The assessment area remains unchanged since the previous evaluation and is composed of four total census tracts, all of which are designated middle-income census tracts.

As shown in the Census Tract Designation Changes table below, the composition of the assessment area changed with the only upper-income census now a middle-income census tract since the previous evaluation, a result of revisions based on the 2020 decennial census and 2016-2020 ACS.

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). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	0	0	0
Middle	3	4	1
Upper	1	0	-1
Unknown	0	0	0
Total	4	4	0
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i>			

Within the assessment area, the bank operates one full-service branch in Manchester, Iowa, which serves as the bank’s main office. In addition to the main office, the bank also operates a limited-service, drive-through branch in Manchester with a full-service ATM. Both the main office and the drive-through are located in the same middle-income census tract.

According to the June 30, 2022 FDIC Deposit Market Share Report, Farmers & Merchants, with a market share of 19.6 percent, ranked second amongst the six FDIC-insured financial institutions

⁴ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

operating in the assessment area. Community Savings Bank had the highest market share at 30.2 percent. Three of the remaining six competitors also had market shares exceeding 10.0 percent including GNB Bank (17.1 percent), Citizens State Bank (16.6 percent), and Farmers Savings Bank (13.7 percent). The five competing banks had a combined total of nine offices in the assessment area.

In 2022, the bank ranked 5th among 68 HMDA-reporters, originating 39 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, Community Savings Bank, originated 97 HMDA-reportable loans.

Assessment area demographic information for 2022 is provided in the following table. See Appendix C for 2021 demographic tables.

2022 IA Non MSA Delaware County AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	684	14.4
Moderate	0	0.0	0	0.0	0	0.0	781	16.4
Middle	4	100.0	4,750	100.0	226	4.8	1,195	25.2
Upper	0	0.0	0	0.0	0	0.0	2,090	44.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4	100.0	4,750	100.0	226	4.8	4,750	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	8,108	5,735	100.0	70.7	1,180	14.6	1,193	14.7
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	8,108	5,735	100.0	70.7	1,180	14.6	1,193	14.7
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	837	100.0	754	100.0	64	100.0	19	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	837	100.0	754	100.0	64	100.0	19	100.0
Percentage of Total Businesses:				90.1		7.6		2.3
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	225	100.0	222	100.0	2	100.0	1	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	225	100.0	222	100.0	2	100.0	1	100.0
Percentage of Total Farms:				98.7		0.9		0.4
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA DELAWARE COUNTY, IOWA

Assessment Area	Lending Test	Community Development Test
Non-MSA Delaware County, Iowa	Consistent	Consistent

The institution's lending performance in the assessment area is consistent with its lending performance in the state of Iowa.

The following tables presents the bank's borrower distribution of HMDA-reportable loans in 2022. See Appendix D for 2021 lending tables.

Geographic Distribution of Loans

Distribution of 2022 Home Mortgage Lending By Income Level of Geography Assessment Area: IA Non MSA Delaware County							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
Home Purchase Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	21	100.0	100.0	4,625	100.0	100.0	100.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0.0
Total	21	100.0	100.0	4,625	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	17	100.0	100.0	4,512	100.0	100.0	100.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0.0
Total	17	100.0	100.0	4,512	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	1	100.0	100.0	10	100.0	100.0	100.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0.0
Total	1	100.0	100.0	10	100.0	100.0	100.0
Multifamily Loans							Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	0	0.0	100.0	0	0.0	100.0	100.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0.0
Total	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans							Owner Occupied Units %
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	39	100.0	100.0	9,147	100.0	100.0	100.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0.0
Total	39	100.0	100.0	9,147	100.0	100.0	100.0
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: IA Non MSA Delaware County					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	24	100.0	1,209	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	24	100.0	1,209	100.0	100.0

Source: 2022 FFIEC Census Data
 2022 Dun & Bradstreet Data
 2016-2020 U.S. Census Bureau: American Community Survey

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

Distribution of 2022 Small Farm Lending By Income Level of Geography					
Assessment Area: IA Non MSA Delaware County					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	37	100.0	5,386	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	37	100.0	5,386	100.0	100.0

Source: 2022 FFIEC Census Data
 2022 Dun & Bradstreet Data
 2016-2020 U.S. Census Bureau: American Community Survey

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

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

Distribution of 2022 Home Mortgage Lending By Borrower Income Level							
Assessment Area: IA Non MSA Delaware County							
Borrower Income Level	Bank And Aggregate Loans					Families by Family Income %	
	Bank		Agg	Bank			Agg
	#	#%	#%	\$(000)	%		%
Home Purchase Loans							
Low	2	9.5	8.1	406	8.8	4.5	14.4
Moderate	5	23.8	21.9	757	16.4	15.4	16.4
Middle	3	14.3	25.9	413	8.9	24.9	25.2
Upper	6	28.6	31.5	1,510	32.6	42.7	44.0
Unknown	5	23.8	12.6	1,539	33.3	12.5	0.0
Total	21	100.0	100.0	4,625	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	4.6	0	0.0	2.0	14.4
Moderate	1	5.9	19.5	200	4.4	11.9	16.4
Middle	5	29.4	26.4	848	18.8	20.3	25.2
Upper	9	52.9	40.2	3,266	72.4	56.6	44.0
Unknown	2	11.8	9.2	198	4.4	9.2	0.0
Total	17	100.0	100.0	4,512	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	10.8	0	0.0	3.9	14.4
Moderate	0	0.0	18.9	0	0.0	13.7	16.4
Middle	1	100.0	18.9	10	100.0	24.5	25.2
Upper	0	0.0	40.5	0	0.0	47.8	44.0
Unknown	0	0.0	10.8	0	0.0	10.1	0.0
Total	1	100.0	100.0	10	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	2	5.1	7.6	406	4.4	3.8	14.4
Moderate	6	15.4	20.8	957	10.5	14.2	16.4
Middle	9	23.1	25.6	1,271	13.9	22.9	25.2
Upper	15	38.5	35.6	4,776	52.2	48.1	44.0
Unknown	7	17.9	10.3	1,737	19.0	11.0	0.0
Total	39	100.0	100.0	9,147	100.0	100.0	100.0
<p>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p>							

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA Delaware County					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	15	62.5	776	64.2	90.1
Over \$1 Million	3	12.5	343	28.4	7.6
Revenue Unknown	6	25.0	90	7.4	2.3
Total	24	100.0	1,209	100.0	100.0
By Loan Size					
\$100,000 or Less	20	83.3	664	54.9	
\$100,001 - \$250,000	4	16.7	545	45.1	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	24	100.0	1,209	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	13	86.7	511	65.9	
\$100,001 - \$250,000	2	13.3	265	34.1	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	15	100.0	776	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Distribution of 2022 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IA Non MSA Delaware County					
	Bank Loans				Total Farms
	#	#%	\$(000)	\$%	%
By Revenue					
\$1 Million or Less	33	89.2	5,017	93.1	98.7
Over \$1 Million	0	0.0	0	0.0	0.9
Revenue Unknown	4	10.8	369	6.9	0.4
Total	37	100.0	5,386	100.0	100.0
By Loan Size					
\$100,000 or Less	21	56.8	889	16.5	
\$100,001 - \$250,000	6	16.2	1,080	20.1	
\$250,001 - \$500,000	10	27.0	3,417	63.4	
Total	37	100.0	5,386	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	18	54.5	820	16.3	
\$100,001 - \$250,000	6	18.2	1,080	21.5	
\$250,001 - \$500,000	9	27.3	3,117	62.1	
Total	33	100.0	5,017	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance in the assessment area is consistent with the institution’s community development performance in the state of Iowa.

Community Development Activities										
Review Period July 28, 2020 – August 21, 2023										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	204*	3,159,190*	0	0	204	3,159,190
Investment	0	0	0	0	0	0	0	0	0	0
Donations	0	0	1	5,000	0	0	7	9,420	8	14,420
Services	0	0	4	627	1	12	2	160	7	799
*The following field includes community development qualified Paycheck Protection Program (PPP) loans.										

STATE OF MINNESOTA

CRA RATING FOR MINNESOTA:

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The CRA rating for the state of Minnesota is Satisfactory. The rating is based on the institution's performance in the full-scope Minneapolis MSA. The geographic distribution of loans throughout the assessment area is poor. The distribution of loans to borrowers of different income levels is reasonable, and to businesses of different sizes is poor. As noted previously, small farm loans are not included in the review since the bank did not make any such loans in this assessment area. The distribution of loans to borrowers of different income levels carried more weight in the performance. The bank has a limited branch network of two branches, both of which are located outside of low- and moderate-income census tracts. In addition, the majority of lending is to existing customers. These factors, as well as competition and the bank's size in the assessment area, impact the bank's geographic lending. The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

SCOPE OF EXAMINATION

The bank's sole assessment area in the state of Minnesota was selected for a full-scope review. The scope of the review is consistent with the scope presented in the "Scope of Examination" section of the performance evaluation on page two.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

Farmers & Merchants' operations in the state of Minnesota consist solely of the bank's operations in the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin, MSA #33460. Please see the individual assessment area summary for demographic and economic conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

LENDING TEST

Farmers & Merchants' performance relative to the lending test in the state of Minnesota is Satisfactory. See the individual assessment area summary section for more details.

Geographic and Borrower Distribution

Farmers & Merchants' lending activities reflect poor penetration throughout the assessment area within the state of Minnesota. The bank's performance relative to HMDA-reportable lending and small business lending was poor.

Farmers & Merchants' lending activities reflect reasonable distribution among individuals of different income levels but poor distribution to businesses of different sizes, given the product lines offered by the bank.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory. See the individual assessment area summary section for more details.

Lending, Investments, and Services Activities

Farmers & Merchants' community development activities are satisfactory. The bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services throughout the state of Minnesota.

MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MINNESOTA-WISCONSIN, MSA #33460 – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Minneapolis MSA. The scope of examination is consistent with that described within the "Scope of Examination" section on page two of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MINNESOTA-WISCONSIN, MSA #33460⁵

The Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA #33460 includes 14 counties in Minnesota and two counties in Wisconsin. The bank has delineated a portion of the MSA as its assessment area to include Anoka and Ramsey Counties, which are in the state of Minnesota, in their entirety. Although the assessment area delineation is unchanged since the previous evaluation, the composition and total number of census tracts increased from 220 to 233 census tracts, a result of revisions based on the 2020 decennial census and 2016-2020 ACS. Based on 2022 FFIEC Census data, the assessment area is composed of 23 low-income, 75 moderate-income, 96 middle-income, 38 upper-income, and one unknown-income census tracts. The one unknown-income census tract consists of a large lake, multiple parks, and the Mississippi river; and there are no residents of the census tract.

The Census Tract Designation Changes table below shows changes in the income designation of census tracts by income since the previous performance evaluation.

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). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

⁵ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Census Tract Designation Changes			
American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	23	23	0
Moderate	66	75	9
Middle	89	96	7
Upper	40	38	-2
Unknown	2	1	-1
Total	220	233	13
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015</i> <i>U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i>			

Within the assessment area, the bank operates one branch and a full-service ATM in St. Paul in the northeast part of Minneapolis-St. Paul, Minnesota; and a second branch in Circle Pines, northeast of Minneapolis-St. Paul. The bank closed the full-service ATM at the Circle Pines location on November 1, 2021. Both branches and the ATM are located in middle-income census tracts.

According to the June 30, 2022 FDIC Deposit Market Share Report, Farmers & Merchants ranked 26th out of 47 FDIC-insured financial institutions operating in the assessment area with an 0.2 percent of the market share. Market share in the bank’s assessment area is highly fragmented with 39 institutions holding a total of 9.3 percent. The exception would be U.S. Bank, National Association and Wells Fargo Bank, National Association which hold significant market share at 69.1 and 10.9 percent, respectively. The 46 total competitors in the bank’s market have 146 total offices in the assessment area.

In 2022, the bank ranked 88th among 467 HMDA-reporters, originating 27 HMDA-reportable loans in the assessment area. By Comparison, the first ranked institution, U.S. Bank National Association, originated 2,754 HMDA-reportable loans.

Additional assessment area demographic information is provided in the following table. Please refer to Appendix C for 2021 demographic information.

2022 Minneapolis-St. Paul-Bloomington, MN-WI MSA 33460 AA Demographics										
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income			
	#	%	#	%	#	%	#	%		
Low	23	9.9	17,856	8.4	4,387	24.6	50,951	24.0		
Moderate	75	32.2	63,149	29.8	6,209	9.8	41,333	19.5		
Middle	96	41.2	95,558	45.1	3,383	3.5	49,976	23.6		
Upper	38	16.3	35,418	16.7	690	1.9	69,721	32.9		
Unknown	1	0.4	0	0.0	0	0.0	0	0.0		
Total AA	233	100.0	211,981	100.0	14,669	6.9	211,981	100.0		
	Housing Units by Tract	Housing Type by Tract								
		Owner-occupied			Rental		Vacant			
		#	% by tract	% by unit	#	% by unit	#	% by unit		
Low	32,235	11,742	5.1	36.4	18,480	57.3	2,013	6.2		
Moderate	111,942	66,229	28.7	59.2	41,366	37.0	4,347	3.9		
Middle	152,270	111,593	48.4	73.3	35,103	23.1	5,574	3.7		
Upper	57,922	41,193	17.9	71.1	14,026	24.2	2,703	4.7		
Unknown	0	0	0.0	0.0	0	0.0	0	0.0		
Total AA	354,369	230,757	100.0	65.1	108,975	30.8	14,637	4.1		
	Total Businesses by Tract		Businesses by Tract & Revenue Size							
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
			#	%	#	%	#	%		
Low	3,090	7.3	2,751	7.1	292	8.5	47	11.5		
Moderate	11,652	27.5	10,376	27.0	1,177	34.1	99	24.3		
Middle	19,295	45.6	17,597	45.7	1,511	43.8	187	45.9		
Upper	8,303	19.6	7,763	20.2	466	13.5	74	18.2		
Unknown	10	0.0	8	0.0	2	0.1	0	0.0		
Total AA	42,350	100.0	38,495	100.0	3,448	100.0	407	100.0		
Percentage of Total Businesses:					90.9		8.1		1.0	
	Total Farms by Tract		Farms by Tract & Revenue Size							
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
			#	%	#	%	#	%		
Low	9	3.0	9	3.0	0	0.0	0	0.0		
Moderate	49	16.2	49	16.5	0	0.0	0	0.0		
Middle	167	55.1	164	55.2	3	50.0	0	0.0		
Upper	78	25.7	75	25.3	3	50.0	0	0.0		
Unknown	0	0.0	0	0.0	0	0.0	0	0.0		
Total AA	303	100.0	297	100.0	6	100.0	0	0.0		
Percentage of Total Farms:					98.0		2.0		0.0	
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.										

Population Characteristics

The table below presents the population trends for the assessment area compared to the counties comprising the assessment area, the MSA in its entirety and the state of Minnesota from 2015 to 2020. According to the 2020 U.S. Census Bureau demographic data, the assessment area’s population was 916,239, which represents an increase of 5.8 percent from 2015. This was higher than the rate of change in Ramsey County at 4.7 percent but lower than Anoka County at 7.4 percent. Moreover, the population growth in the assessment area was lower than the MSA in its entirety at 7.2 percent but above the state of Minnesota at 5.3 percent. Overall, population gains were found across all portions of the regions in and around the bank’s assessment area. According to one community representative, the twin cities area overall is an attractive place to reside for residents based on an overall favorable economic environment, good schools, and parks.

Population Change 2011-2015 and 2020			
Area	2015 Population	2020 Population	Percent Change
Assessment Area	866,175	916,239	5.8%
Anoka County, MN	338,764	363,887	7.4%
Ramsey County, MN	527,411	552,352	4.7%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	3,443,769	3,690,261	7.2%
Minnesota	5,419,171	5,706,494	5.3%
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i>			

Income Characteristics

According to the U.S. Census Bureau ACS data, the assessment area is comprised of 211,981 families, of which 24.0 percent are designated as low-income, 19.5 percent are moderate-income, 23.6 percent are middle-income, and 32.9 percent are upper-income families. Although only 6.9 percent of families residing within the assessment area live below the poverty level, this is somewhat higher than the state of Minnesota poverty rate of 5.6 percent.

The following table compares the MFI for the assessment area, counties comprising the assessment area, the MSA in its entirety, and the state of Minnesota. According to the 2015-2020 Census Bureau data, MFI in the state of Minnesota increased by 10.1 percent. Additionally, MFI increased notably in both counties and the assessment area, with Ramsey County experiencing an increase of 11.3 percent, and significantly outpacing Anoka County at 6.9 percent. According to a community representative, the local economy is competitive and local employers have aggressively hired; however, Anoka County’s challenge is that it is not as connected to the urban center via transit routes.

Median Family Income Change 2011-2015 and 2016-2020			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	\$84,817	\$92,261	8.8%
Anoka County, MN	\$91,422	\$97,755	6.9%
Ramsey County, MN	\$80,411	\$89,518	11.3%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	\$92,420	\$103,977	12.5%
Minnesota	\$84,188	\$92,692	10.1%
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

Housing Characteristics

According to the 2020 FFIEC census data, there are 354,369 total housing units in the assessment area with only 9.1 percent located in the 23 low-income census tracts and 31.6 percent in the 75 moderate-income tracts. Over half (59.2 percent) of the housing units in the moderate-income tracts, but only 36.4 percent of units in the low-income tracts, are owner-occupied. A much larger percentage of units in the low-income tracts are rentals at 57.3 percent, compared to 37.0 percent in the moderate-income tracts. Home mortgage trends reflect steady demand for home purchases in the assessment area of 45,548 and 44,397 in 2020 and 2021, respectively, with a notable increase of 19,433 total home mortgages in 2020. A community representative has stated that a lot of housing development has occurred in recent years; however, the availability of affordable housing accessible to all incomes is still a pressing need in the area.

Housing cost burden, outlined in the table below, is a method to help understand poverty and housing outcomes. The housing cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the HUD, takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Within the assessment area, 43.6 percent of all renters are considered housing cost burdened. Of the cost burdened renters, 72.5 percent are low-income, while 21.6 percent are moderate-income renters. For homeowners, only 17.2 percent are experiencing housing cost burden within the assessment area, but like renters, the majority are low-income owners at 59.9 percent.

Housing Cost Burden						
Area	Cost Burden – Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	72.5%	21.6%	43.6%	59.9%	25.3%	17.2%
Anoka County, MN	74.0%	23.9%	41.2%	59.1%	25.1%	16.3%
Ramsey County, MN	72.2%	20.8%	44.4%	60.5%	25.5%	17.9%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	73.6%	26.6%	42.0%	62.1%	29.8%	17.2%
Minnesota	71.1%	24.8%	41.2%	59.5%	27.2%	17.0%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i>						

Employment Conditions

The following table presents the unemployment trends for the assessment area, the counties comprising the assessment area, the MSA in its entirety, and the state of Minnesota from 2017 to 2021. Unemployment rates in each of these areas was consistently within the 3.0 percent range between 2017 and 2019. With the onset of the COVID-19 pandemic in 2020, the unemployment rates doubled throughout the assessment area, the MSA in its entirety, and the state of Minnesota. In 2021, the unemployment rates declined to near pre-pandemic levels although the unemployment percentage in Ramsey County remained slightly higher at 3.8 percent in comparison. A community representative stated employment is back to pre-pandemic levels, similar to overall employment nationwide, and with a significant effort in increasing employee skill levels. Conversely, there has been some rightsizing in employment by employers who were more aggressive in rehiring after the pandemic.

Unemployment Rates						
Area	2017	2018	2019	2020	2021	2022*
Assessment Area	3.3%	2.9%	3.2%	6.8%	3.6%	2.3%
Anoka County, MN	3.4%	3.0%	3.3%	6.5%	3.4%	2.2%
Ramsey County, MN	3.3%	2.9%	3.2%	7.1%	3.8%	2.3%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	3.2%	2.9%	3.1%	6.5%	3.4%	2.2%
Minnesota	3.5%	3.1%	3.4%	6.3%	3.4%	2.3%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>						
<i>* 2022 YTD Annual Average through August 2022</i>						

Industry Characteristics

The health care industry employs the largest number of employees in the assessment area followed by governmental, manufacturing, and retail. A community contact has stated that the area has seen significant industrial growth, as well as growth in manufacturing, distribution, and logistics.

Community Representatives

Two community representatives were contacted and have stated that affordable housing continues to be a primary need in the Minneapolis MSA, despite generally affordable housing costs. One contact also identified small business loans as a primary credit need within the assessment area, and opportunities for local banks to meet those needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MINNESOTA-WISCONSIN, MSA #33460

LENDING TEST

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data⁶. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

Farmers & Merchants demonstrates poor geographic distribution of loans given the bank's assessment area. However, the bank's performance in this assessment area carried less weight overall, as the bank originated only 22 HMDA-reportable loans in 2022 (61 in 2021) and only 10 small business loans. In addition, an analysis of the dispersion of loans indicated no conspicuous geographic lending gaps in the census tracts throughout the assessment area, given the bank's limited physical presence and other performance context. Specifically, the bank has a limited branch network of two offices serving the entire assessment area, and as noted earlier, the market is fragmented with many larger financial institutions present.

Since Farmers & Merchants originated less than 25 HMDA-reportable loans in 2022, an individual breakdown by each product category (e.g., home purchase and refinance) is not provided. Further, the bank did not originate any small farm loans in this assessment area and, therefore, the geographic distribution of small farm loans was not analyzed.

⁶ The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)

HMDA-Reportable Loans

The bank’s geographic distribution of HMDA-reportable lending is poor. In 2022, the bank originated 13.6 percent of HMDA-reportable loans in moderate-income tracts, significantly below that of aggregate (30.7 percent) as well as the percentage of owner-occupied units in the assessment area (28.7 percent). The bank did not originate any HMDA-reportable loans in the low-income census tracts compared to aggregate at 6.4 percent and the percentage of owner-occupied units at 5.1 percent. As noted earlier, the bank has a limited branch network and lends to existing customers, which impacts geographic distribution.

The bank’s performance in 2021 was consistent with its performance in 2022.

The following table presents the bank’s geographic distribution of HMDA-reportable loans in 2022. See Appendix D for 2021 lending tables.

Distribution of 2022 Home Mortgage Lending By Income Level of Geography							
Assessment Area: Minneapolis-St. Paul-Bloom, MN-WI MSA 33460							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Low	0	0.0	6.4	0	0.0	4.9	5.1
Moderate	3	13.6	30.7	495	9.3	27.2	28.7
Middle	15	68.2	45.8	3,656	68.7	45.8	48.4
Upper	4	18.2	17.1	1,169	22.0	22.1	17.9
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	22	100.0	100.0	5,320	100.0	100.0	100.0

Source: 2022 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Loans

The geographic distribution of small business loans is poor. The 2022 sample included 10 small business loans within the assessment area. No loans were originated in low- or moderate-income census tracts where 7.3 and 27.5 percent of businesses were located, respectively.

The following table presents the bank’s geographic distribution of small business loans in 2022.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: Minneapolis-St. Paul-Bloomington, MN-WI MSA 33460					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	7.3
Moderate	0	0.0	0	0.0	27.5
Middle	8	80.0	2,954	85.3	45.6
Upper	2	20.0	508	14.7	19.6
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	10	100.0	3,462	100.0	100.0

Source: 2022 FFIEC Census Data
 2022 Dun & Bradstreet Data
 2016-2020 U.S. Census Bureau: American Community Survey

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

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

For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals⁷. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

Farmers & Merchants demonstrates a reasonable distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and poor distribution to businesses of different sizes given the demographics of the bank's assessment area. As noted previously, the bank's performance in this assessment area carried less weight overall, as the bank originated only 22 HMDA-reportable loans in 2022 (61 in 2021) and 10 small business loans. However, the bank's HMDA-reportable lending carried more weight than small business lending within this assessment area. Finally, the bank originated a minimal number of HMDA-reportable loans in the assessment area in 2021 and 2022, and therefore, an individual breakdown by each product category is not provided for 2022. Further, small farm loans will not be discussed as the bank did not originate any of these loans in the assessment area.

HMDA-Reportable Loans

The bank's distribution of HMDA-reportable loans reflects reasonable penetration among borrowers of different income levels. In 2022, the bank originated 18.2 percent and 9.1 percent of its HMDA-reportable loans to low- and moderate-income borrowers, respectively. The bank's performance was above the aggregate for low-income borrowers (14.8 percent) but significantly below the aggregate for moderate-income borrowers (28.2 percent), as well as significantly below

⁷ Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).

the percentage of low- and moderate-income borrowers in the assessment area at 24.0 percent and 19.5 percent, respectively.

In 2021, the bank’s performance was consistent with its performance in 2022.

The following table presents the bank’s borrower distribution of HMDA-reportable loans in 2022. See Appendix D for 2021 lending tables, which reflect performance consistent with 2022.

Distribution of 2022 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Minneapolis-St. Paul-Bloom, MN-WI MSA 33460							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	\$%	\$%	
Low	4	18.2	14.8	550	10.3	9.9	24.0
Moderate	2	9.1	28.2	320	6.0	25.1	19.5
Middle	7	31.8	20.8	1,640	30.8	20.9	23.6
Upper	8	36.4	19.6	2,665	50.1	25.5	32.9
Unknown	1	4.5	16.6	145	2.7	18.6	0.0
Total	22	100.0	100.0	5,320	100.0	100.0	100.0

Source: 2022 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.
Multifamily loans are not included in the borrower distribution analysis.

Small Business Loans

The distribution of loans to businesses of different sizes is poor. The 2022 sample included 10 small business loans, of which 30.0 percent were originated to businesses with gross revenues equal to or less than \$1 million. This is significantly lower in comparison to the demographic measure of total small businesses in the assessment area at 90.9 percent. Within the ten loans originated to small businesses, only 10.0 percent of the loans were in amounts of \$100,000 or less, which are generally considered the most beneficial to small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2022.

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Minneapolis-St. Paul-Bloomington, MN-WI MSA 33460					
	Bank Loans				Total Businesses %
	#	%	\$(000)	%	
By Revenue					
\$1 Million or Less	3	30.0	1,168	33.7	90.9
Over \$1 Million	7	70.0	2,294	66.3	8.1
Revenue Unknown	0	0.0	0	0.0	1.0
Total	10	100.0	3,462	100.0	100.0
By Loan Size					
\$100,000 or Less	1	10.0	36	1.0	
\$100,001 - \$250,000	3	30.0	608	17.6	
\$250,001 - \$1 Million	6	60.0	2,818	81.4	
Total	10	100.0	3,462	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	0	0.0	0	0.0	
\$100,001 - \$250,000	1	33.3	250	21.4	
\$250,001 - \$1 Million	2	66.7	918	78.6	
Total	3	100.0	1,168	100.0	
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

COMMUNITY DEVELOPMENT TEST

Lending, Investment, and Services Activities

Farmers & Merchants demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. The bank’s community development lending consisted entirely of loans originated under the PPP to assist businesses negatively impacted by the COVID-19 pandemic.

Lending

During this evaluation period, the bank originated 41 qualified loans totaling approximately \$2.5 million going towards the community development purpose focused on revitalization and stabilization within the assessment area. Loans made under the PPP program are typically smaller dollar amounts that directly impact the needs of small businesses impacted by COVID-19. The total number and dollar amount of the current community development loans is an increase over the previous evaluation when the bank originated 11 loans totaling \$1.8 million.

Investments

The bank made two new investments during the evaluation period for approximately \$11.5 million going towards two municipal bonds funding infrastructure projects incorporating two different regions with low- and moderate-income census tracts within the Minneapolis area. The bonds support the reconstruction of critical infrastructure including water system improvements, wastewater, as well as surface water to alleviate flooding concerns. The bank’s performance is a notable increase from the previous evaluation when the bank did not make any community development investments. In addition, the bank made five qualified donations totaling \$10,669 to community organizations with a focus on community service activities that benefit LMI individuals in the assessment area. This is an increase from the previous evaluation where the bank made one qualified donation for \$500.

Services

During the evaluation period, banking personnel contributed 247 hours of community development services. Of the total number of service hours, 83.8 percent were dedicated to economic development benefitting LMI individuals, with the remaining 16.2 percent going towards affordable housing. The number of service hours is a decrease from the 506 services hours provided in the prior evaluation.

Community Development Activities										
Review Period July 28, 2020 – August 21, 2023										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	41*	2,521,567*	0	0	41	2,521,567
Investment	0	0	2	11,470,000	0	0	0	0	2	11,470,000
Donations	0	0	0	0	0	0	5	10,669	5	10,669
Services	1	40	8	207	0	0	0	0	9	247

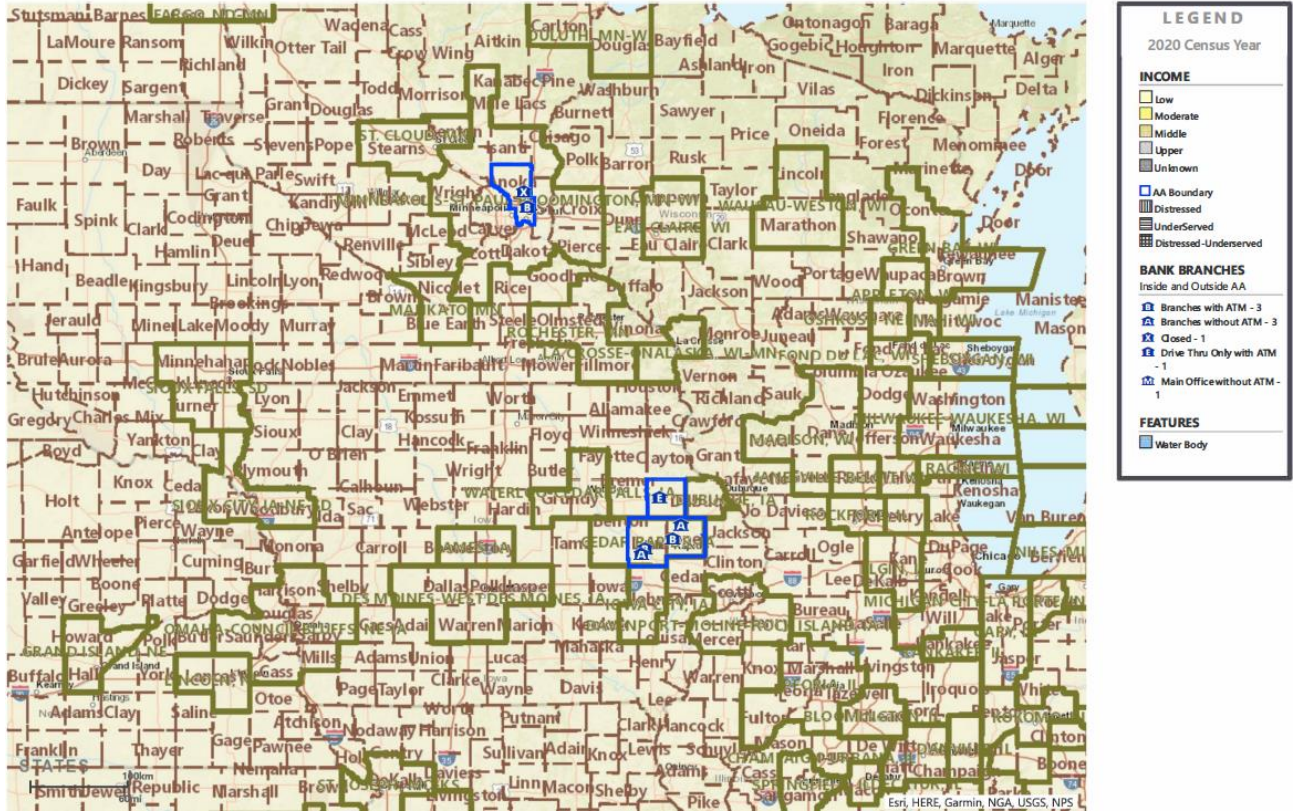
*The following field includes community development qualified Paycheck Protection Program (PPP) loans.

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 the Assessment Areas

Farmers & Merchants Savings Bank 863746
 Combined Assessment Area



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		<ul style="list-style-type: none"> • HMDA-reportable Lending January 1, 2021 to December 31, 2022 • Small Business Lending January 1, 2022 to December 31, 2022 • Small Farm Lending January 1, 2022 to December 31, 2022 • Community Development Activities July 28, 2020, to August 21, 2023 	
FINANCIAL INSTITUTION Farmers & Merchants Savings Bank			PRODUCTS REVIEWED <ul style="list-style-type: none"> • HMDA-Reportable Loans • Small Business • Small Farm
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
Iowa Cedar Rapids, IA MSA #16300 Non-Metropolitan Delaware County, IA	Full scope review Limited Scope Review	None	N/A
Minnesota Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA #33460	Full scope review	None	N/A

APPENDIX C – 2021 Demographics Tables

2021 Cedar Rapids, IA MSA 16300 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	2	4.0	700	1.2	241	34.4	11,321	18.8
Moderate	12	24.0	10,719	17.8	1,320	12.3	10,967	18.2
Middle	29	58.0	37,739	62.5	1,880	5.0	14,678	24.3
Upper	6	12.0	10,965	18.2	197	1.8	23,371	38.7
Unknown	1	2.0	214	0.4	99	46.3	0	0.0
Total AA	50	100.0	60,337	100.0	3,737	6.2	60,337	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	1,779	587	0.8	33.0	933	52.4	259	14.6
Moderate	21,809	12,278	17.4	56.3	7,637	35.0	1,894	8.7
Middle	64,082	44,912	63.6	70.1	14,433	22.5	4,737	7.4
Upper	14,299	12,758	18.1	89.2	1,120	7.8	421	2.9
Unknown	991	128	0.2	12.9	703	70.9	160	16.1
Total AA	102,960	70,663	100.0	68.6	24,826	24.1	7,471	7.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	473	4.4	399	4.1	72	7.2	2	1.6
Moderate	1,919	17.8	1,736	17.9	167	16.8	16	13.1
Middle	5,999	55.5	5,431	56.1	499	50.1	69	56.6
Upper	1,891	17.5	1,692	17.5	170	17.1	29	23.8
Unknown	525	4.9	430	4.4	89	8.9	6	4.9
Total AA	10,807	100.0	9,688	100.0	997	100.0	122	100.0
Percentage of Total Businesses:				89.6		9.2		1.1
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	1	0.2	1	0.2	0	0.0	0	0.0
Moderate	15	2.6	14	2.4	1	33.3	0	0.0
Middle	464	79.9	461	79.9	2	66.7	1	100.0
Upper	100	17.2	100	17.3	0	0.0	0	0.0
Unknown	1	0.2	1	0.2	0	0.0	0	0.0
Total AA	581	100.0	577	100.0	3	100.0	1	100.0
Percentage of Total Farms:				99.3		0.5		0.2
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2021 IA Non MSA Delaware County AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	836	16.7
Moderate	0	0.0	0	0.0	0	0.0	726	14.5
Middle	3	75.0	4,120	82.4	292	7.1	1,125	22.5
Upper	1	25.0	882	17.6	28	3.2	2,315	46.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4	100.0	5,002	100.0	320	6.4	5,002	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	6,728	4,568	81.9	67.9	1,196	17.8	964	14.3
Upper	1,303	1,011	18.1	77.6	198	15.2	94	7.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	8,031	5,579	100.0	69.5	1,394	17.4	1,058	13.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	704	82.2	627	82.1	60	85.7	17	77.3
Upper	152	17.8	137	17.9	10	14.3	5	22.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	856	100.0	764	100.0	70	100.0	22	100.0
Percentage of Total Businesses:				89.3	8.2	2.6		
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	200	83.7	197	83.5	2	100.0	1	100.0
Upper	39	16.3	39	16.5	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	239	100.0	236	100.0	2	100.0	1	100.0
Percentage of Total Farms:				98.7	0.8	0.4		
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2021 Minneapolis-St. Paul-Bloomington, MN-WI MSA 33460 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	23	10.5	15,134	7.2	5,313	35.1	50,136	23.9
Moderate	66	30.0	54,578	26.0	7,731	14.2	38,550	18.4
Middle	89	40.5	95,229	45.4	4,367	4.6	47,428	22.6
Upper	40	18.2	45,034	21.4	1,261	2.8	73,861	35.2
Unknown	2	0.9	0	0.0	0	0.0	0	0.0
Total AA	220	100.0	209,975	100.0	18,672	8.9	209,975	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	26,810	8,348	3.8	31.1	16,308	60.8	2,154	8.0
Moderate	100,086	51,934	23.4	51.9	42,879	42.8	5,273	5.3
Middle	150,898	108,760	49.1	72.1	36,289	24.0	5,849	3.9
Upper	69,010	52,597	23.7	76.2	14,219	20.6	2,194	3.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	346,804	221,639	100.0	63.9	109,695	31.6	15,470	4.5
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	2,949	7.0	2,562	6.7	338	9.7	49	13.3
Moderate	10,907	26.0	9,678	25.4	1,128	32.4	101	27.4
Middle	18,928	45.2	17,273	45.4	1,513	43.4	142	38.6
Upper	9,114	21.7	8,537	22.4	501	14.4	76	20.7
Unknown	22	0.1	19	0.0	3	0.1	0	0.0
Total AA	41,920	100.0	38,069	100.0	3,483	100.0	368	100.0
Percentage of Total Businesses:				90.8		8.3		0.9
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	5	1.6	5	1.6	0	0.0	0	0.0
Moderate	64	20.5	63	20.6	1	16.7	0	0.0
Middle	171	54.8	168	54.9	3	50.0	0	0.0
Upper	72	23.1	70	22.9	2	33.3	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	312	100.0	306	100.0	6	100.0	0	0.0
Percentage of Total Farms:				98.1		1.9		0.0

Source: 2021 FFIEC Census Data
 2021 Dun & Bradstreet Data
 2011-2015 U.S. Census Bureau: American Community Survey
 Note: Percentages may not total 100.0 percent due to rounding.

APPENDIX D – 2021 HMDA Lending Tables

Distribution of 2021 Home Mortgage Lending By Income Level of Geography Assessment Area: Cedar Rapids, IA MSA 16300							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
Home Purchase Loans							
Low	1	2.8	1.5	208	2.9	1.0	0.8
Moderate	10	27.8	20.1	1,167	16.5	13.5	17.4
Middle	21	58.3	59.1	4,149	58.8	58.4	63.6
Upper	4	11.1	18.9	1,535	21.7	26.8	18.1
Unknown	0	0.0	0.3	0	0.0	0.2	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	36	100.0	100.0	7,059	100.0	100.0	100.0
Refinance Loans							
Low	1	1.2	0.7	232	1.4	0.5	0.8
Moderate	9	11.1	13.4	1,135	6.9	8.5	17.4
Middle	52	64.2	58.7	9,469	57.6	57.2	63.6
Upper	19	23.5	27.0	5,608	34.1	33.8	18.1
Unknown	0	0.0	0.1	0	0.0	0.0	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	81	100.0	100.0	16,444	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0.7	0	0.0	0.3	0.8
Moderate	0	0.0	12.8	0	0.0	9.4	17.4
Middle	0	0.0	60.4	0	0.0	58.3	63.6
Upper	0	0.0	26.1	0	0.0	32.0	18.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	100.0
Multifamily Loans							
Low	0	0.0	6.3	0	0.0	4.8	4.3
Moderate	1	100.0	40.6	163	100.0	20.4	30.2
Middle	0	0.0	45.5	0	0.0	61.9	60.4
Upper	0	0.0	3.5	0	0.0	6.4	2.2
Unknown	0	0.0	4.2	0	0.0	6.5	2.9
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	163	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	2	1.7	1.1	440	1.9	1.1	0.8
Moderate	20	16.9	16.4	2,465	10.4	11.5	17.4
Middle	73	61.9	58.8	13,618	57.5	58.1	63.6
Upper	23	19.5	23.5	7,143	30.2	28.7	18.1
Unknown	0	0.0	0.2	0	0.0	0.6	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	118	100.0	100.0	23,666	100.0	100.0	100.0
Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2021 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Cedar Rapids, IA MSA 16300							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
Home Purchase Loans							
Low	4	11.1	16.7	523	7.4	9.9	18.8
Moderate	3	8.3	22.6	657	9.3	18.1	18.2
Middle	5	13.9	20.9	1,291	18.3	21.8	24.3
Upper	15	41.7	18.7	3,232	45.8	26.8	38.7
Unknown	9	25.0	21.1	1,356	19.2	23.5	0.0
Total	36	100.0	100.0	7,059	100.0	100.0	100.0
Refinance Loans							
Low	4	4.9	9.0	350	2.1	5.1	18.8
Moderate	13	16.0	19.4	1,685	10.2	14.4	18.2
Middle	20	24.7	21.6	3,376	20.5	20.6	24.3
Upper	40	49.4	28.1	10,503	63.9	35.7	38.7
Unknown	4	4.9	21.9	530	3.2	24.2	0.0
Total	81	100.0	100.0	16,444	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	7.0	0	0.0	5.7	18.8
Moderate	0	0.0	19.2	0	0.0	14.1	18.2
Middle	0	0.0	25.7	0	0.0	22.5	24.3
Upper	0	0.0	41.6	0	0.0	49.1	38.7
Unknown	0	0.0	6.5	0	0.0	8.6	0.0
Total	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans							
Low	8	6.8	12.1	873	3.7	7.3	18.8
Moderate	16	13.7	20.7	2,342	10.0	16.0	18.2
Middle	25	21.4	21.6	4,667	19.9	21.1	24.3
Upper	55	47.0	25.1	13,735	58.4	32.2	38.7
Unknown	13	11.1	20.6	1,886	8.0	23.5	0.0
Total	117	100.0	100.0	23,503	100.0	100.0	100.0
<p>Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p>							

Distribution of 2021 Home Mortgage Lending By Income Level of Geography							
Assessment Area: IA Non MSA Delaware County							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Home Purchase Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	21	77.8	86.9	3,775	79.1	88.5	81.9
Upper	6	22.2	13.1	995	20.9	11.5	18.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	27	100.0	100.0	4,770	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	38	84.4	83.7	5,554	82.0	83.4	81.9
Upper	7	15.6	16.3	1,219	18.0	16.6	18.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	45	100.0	100.0	6,773	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	0	0.0	69.2	0	0.0	80.5	81.9
Upper	0	0.0	30.8	0	0.0	19.5	18.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	100.0
Multifamily Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	3	100.0	100.0	838	100.0	100.0	88.0
Upper	0	0.0	0.0	0	0.0	0.0	12.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	838	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	62	82.7	84.8	10,167	82.1	85.6	81.9
Upper	13	17.3	15.2	2,214	17.9	14.4	18.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	75	100.0	100.0	12,381	100.0	100.0	100.0
Source: 2021 FFIEC Census Data							
2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2021 Home Mortgage Lending By Borrower Income Level							
Assessment Area: IA Non MSA Delaware County							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Home Purchase Loans							
Low	1	3.7	8.0	110	2.3	4.2	16.7
Moderate	7	25.9	28.7	1,006	21.1	21.5	14.5
Middle	5	18.5	18.9	691	14.5	19.2	22.5
Upper	10	37.0	30.2	2,122	44.5	40.0	46.3
Unknown	4	14.8	14.2	841	17.6	15.0	0.0
Total	27	100.0	100.0	4,770	100.0	100.0	100.0
Refinance Loans							
Low	2	4.4	7.1	155	2.3	3.6	16.7
Moderate	6	13.3	19.6	487	7.2	15.0	14.5
Middle	11	24.4	22.4	1,353	20.0	19.0	22.5
Upper	21	46.7	41.3	4,108	60.7	51.2	46.3
Unknown	5	11.1	9.5	670	9.9	11.2	0.0
Total	45	100.0	100.0	6,773	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	7.7	0	0.0	1.0	16.7
Moderate	0	0.0	19.2	0	0.0	6.2	14.5
Middle	0	0.0	30.8	0	0.0	14.3	22.5
Upper	0	0.0	42.3	0	0.0	78.5	46.3
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Total	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans							
Low	3	4.2	7.5	265	2.3	3.9	16.7
Moderate	13	18.1	22.4	1,493	12.9	17.1	14.5
Middle	16	22.2	21.5	2,044	17.7	18.9	22.5
Upper	31	43.1	38.2	6,230	54.0	47.9	46.3
Unknown	9	12.5	10.4	1,511	13.1	12.3	0.0
Total	72	100.0	100.0	11,543	100.0	100.0	100.0
Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.							

Distribution of 2021 Home Mortgage Lending By Income Level of Geography Assessment Area: Minneapolis-St. Paul-Bloom, MN-WI MSA 33460							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Home Purchase Loans							
Low	0	0.0	6.3	0	0.0	4.6	3.8
Moderate	0	0.0	27.3	0	0.0	22.4	23.4
Middle	7	70.0	46.8	1,309	62.2	48.0	49.1
Upper	3	30.0	19.6	794	37.8	25.1	23.7
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	10	100.0	100.0	2,103	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	3.1	0	0.0	2.3	3.8
Moderate	3	6.3	19.9	658	6.8	15.9	23.4
Middle	27	56.3	51.1	5,185	53.9	50.3	49.1
Upper	18	37.5	26.0	3,776	39.3	31.5	23.7
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	48	100.0	100.0	9,619	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	2.9	0	0.0	2.6	3.8
Moderate	0	0.0	16.8	0	0.0	13.0	23.4
Middle	1	33.3	49.4	40	61.5	47.6	49.1
Upper	2	66.7	30.9	25	38.5	36.8	23.7
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	65	100.0	100.0	100.0
Multifamily Loans							Multi-family Units %
Low	0	0.0	15.7	0	0.0	8.2	12.3
Moderate	0	0.0	38.0	0	0.0	32.8	39.2
Middle	0	0.0	25.2	0	0.0	31.6	35.1
Upper	0	0.0	21.1	0	0.0	27.4	13.5
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans							Owner Occupied Units %
Low	0	0.0	4.4	0	0.0	3.7	3.8
Moderate	3	4.9	22.7	658	5.6	19.8	23.4
Middle	35	57.4	49.3	6,534	55.4	47.9	49.1
Upper	23	37.7	23.7	4,595	39.0	28.7	23.7
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	61	100.0	100.0	11,787	100.0	100.0	100.0
Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2021 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Minneapolis-St. Paul-Bloom, MN-WI MSA 33460							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
Home Purchase Loans							
Low	2	20.0	13.7	344	16.4	9.1	23.9
Moderate	1	10.0	28.3	160	7.6	25.1	18.4
Middle	2	20.0	19.2	328	15.6	20.2	22.6
Upper	4	40.0	18.5	931	44.3	25.4	35.2
Unknown	1	10.0	20.4	340	16.2	20.2	0.0
Total	10	100.0	100.0	2,103	100.0	100.0	100.0
Refinance Loans							
Low	6	12.5	10.9	511	5.3	7.3	23.9
Moderate	13	27.1	24.5	2,827	29.4	20.6	18.4
Middle	8	16.7	23.3	1,651	17.2	22.6	22.6
Upper	17	35.4	25.8	4,116	42.8	32.5	35.2
Unknown	4	8.3	15.5	514	5.3	17.1	0.0
Total	48	100.0	100.0	9,619	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	7.5	0	0.0	5.6	23.9
Moderate	2	66.7	19.6	55	84.6	15.7	18.4
Middle	0	0.0	24.7	0	0.0	21.2	22.6
Upper	1	33.3	44.7	10	15.4	52.8	35.2
Unknown	0	0.0	3.5	0	0.0	4.6	0.0
Total	3	100.0	100.0	65	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	8	13.1	11.8	855	7.3	8.0	23.9
Moderate	16	26.2	25.6	3,042	25.8	22.3	18.4
Middle	10	16.4	21.6	1,979	16.8	21.4	22.6
Upper	22	36.1	23.7	5,057	42.9	29.7	35.2
Unknown	5	8.2	17.4	854	7.2	18.6	0.0
Total	61	100.0	100.0	11,787	100.0	100.0	100.0
Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.							

APPENDIX E - 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.⁸

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

⁸ 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 nonmetropolitan 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, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes 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 production office (LPO): 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 Loan: 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).