

PUBLIC DISCLOSURE

March 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Merchants Bank
06281880

Vicksburg, Mississippi

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

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

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Merchants Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of March 24, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The bank's loan-to-deposit (LTD) ratio is strong. Since 1992, the bank's LTD ratio has exhibited an upward trend. The bank's level of originating loans within its assessment area is very good; 76.5 percent of the loans sampled were within the bank's assessment area. The bank's distribution of loans to borrowers of different incomes and small businesses of different sizes is very good considering external factors such as poverty levels of the community. The distribution of loans by geographies is excellent. The bank has not received any CRA-related complaints since the previous examination. Merchants Bank has participated in two qualified investments since the previous examination.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of Merchants Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | MERCHANTS BANK | | |
|--|---|--|--|
| | PERFORMANCE LEVELS | | |
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does Not Meet Standards for Satisfactory Performance |
| Loan-to-deposit ratio | X | | |
| Lending in assessment area | X | | |
| Lending to borrowers of different incomes and to businesses of different sizes | X | | |
| Geographic distribution of loans | X | | |
| Response to complaints | No CRA-related complaints were received since the previous examination. | | |

DESCRIPTION OF INSTITUTION

Merchants Bank operates six banking offices with its home office in Vicksburg, Mississippi. Also, the bank operates a loan production office (LPO) in Jackson, Mississippi. The LPO originates small business and real estate loans only. The bank is a wholly owned subsidiary of Merchants Capital Corporation, Vicksburg, Mississippi. Total assets reported in the December 31, 1996 Consolidated Reports of Condition and Income were \$206 million. No legal or financial impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

Merchants Bank is a retail banking institution with an equal focus on consumer lending and small business lending. Merchants Bank offers a variety of credit products including consumer real estate and home equity loans, motor vehicle loans, personal unsecured and secured loans, loans to small businesses, credit cards, and overdraft protection lines of credit. A review of the bank's trial balance indicates the bank originates all types of loans offered. The following chart shows the year-end composition of the bank's loan portfolio beginning in 1992. This information was taken from the December 31, 1996 Uniform Bank Performance Report.

| LOAN TYPE | PERCENTAGE OF LOAN PORTFOLIO ¹ | | | | |
|---|---|--------|--------|--------|--------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| Construction and development | 4.34 | 5.46 | 6.44 | 5.39 | 5.73 |
| Secured by one- to four-family dwellings (includes home equity loans) | 20.25 | 22.16 | 21.42 | 19.82 | 20.63 |
| Other real estate: | | | | | |
| Farmland | 3.04 | 2.34 | 3.40 | 3.03 | 2.27 |
| Nonfarm nonresidential | 10.98 | 12.56 | 16.59 | 22.55 | 24.13 |
| Agriculture | 4.83 | 3.45 | 2.45 | 1.69 | 1.45 |
| Commercial and industrial | 21.73 | 21.67 | 18.36 | 14.89 | 16.77 |
| Loans to individuals (includes credit cards) | 31.08 | 29.08 | 26.66 | 26.96 | 24.37 |
| Other | 3.75 | 3.28 | 4.68 | 5.67 | 4.65 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

¹Percent of average gross loans and leases.

DESCRIPTION OF INSTITUTION (CONTINUED)

The above table shows that the percentage of nonfarm nonresidential real estate loans has significantly increased since 1992. The percentage of loans secured by one- to four-family dwellings has basically remained unchanged. Merchants Bank sells a large amount of its real estate loans to the secondary market; therefore, these loans are not reflected in the loan portfolio. Overall, real estate loans increased by \$37.9 million from 1992 to 1996. As a percentage of the loan portfolio, loans to individuals decreased over this period of time, but the actual dollar amount of loans to individuals increased by approximately \$4.0 million. Loans for commercial and industrial purposes have decreased slightly since 1992.

Competition

Within the bank's assessment area are 11 other banks or their branches and various other financial entities, including finance companies, insurance companies, and credit unions. The asset sizes of these banks range from \$14 million to \$5.2 billion. Merchants Bank is the only bank with its home office in Vicksburg. Most of the other banks' home offices are in Jackson, Mississippi. Though terms and rates may vary, the banks offer essentially the same credit products.

DESCRIPTION OF ASSESSMENT AREA: HINDS AND WARREN COUNTIES, MISSISSIPPI

The bank's assessment area includes all of Warren County, Mississippi, and part of Hinds County, Mississippi. Warren County is not located in a metropolitan statistical area (MSA) while Hinds County is part of an MSA. Two census tracts in Hinds County (Jackson, Mississippi) and all 12 block numbering areas (BNAs) in Warren County are included in the bank's assessment area. Both census tracts in Hinds County are moderate-income. Of the twelve BNAs in Warren County, one is low-income, two are moderate-income, four are middle-income, and five are upper-income. Within the bank's assessment area are the cities of Vicksburg, Utica, Edwards, Waltersville, Redwood, Hermanville, Meadville, and Port Gibson.

Population, Age, and Income Data

57,422 persons reside in the bank's assessment area. Of the total population, 7 people live in the low-income BNA; 16,783 (29 percent) live in moderate-income BNAs and census tracts; 13,847 (24 percent) live in middle-income BNAs; and 26,785 (47 percent) live in upper-income BNAs. According to the Vicksburg-Warren County Chamber of Commerce, 30 percent of the residents of Warren County are below the age of 18; 39 percent are between the ages of 18 and 44; 14 percent are between the ages of 45 and 59; and 17 percent are 60 or over.

**DESCRIPTION OF ASSESSMENT AREA: HINDS AND WARREN COUNTIES, MISSISSIPPI
 (CONTINUED)**

Population, Age, and Income Data (Continued)

The following table summarizes the distribution of households and families in the assessment area by income according to 1990 Census data.

| INCOME LEVEL | NUMBER OF FAMILIES ¹ IN ASSESSMENT AREA | % OF TOTAL FAMILIES | NUMBER OF HOUSEHOLDS ² IN ASSESSMENT AREA | % OF TOTAL HOUSEHOLDS |
|---------------------------------------|---|----------------------------|---|------------------------------|
| Low (Less than 50% of median income) | 3,469 | 23.0 | 5,268 | 25.7 |
| Moderate (50 to 79% of median income) | 2,009 | 13.3 | 2,461 | 12.0 |
| Middle (80 to 119% of median income) | 2,258 | 14.9 | 2,798 | 13.7 |
| Upper (120% or more of median income) | 7,379 | 48.8 | 9,958 | 48.6 |
| Total | 15,115 | 100.0 | 20,485 | 100.0 |
| Poverty level | 2,985 | 19.7 | 4,995 | 24.4 |

As noted by the table above, upper-income and low-income families and households are the largest population segments in the bank's assessment area. According to the 1990 Census, 19.7 percent of the families and 24.4 percent of the households were below the poverty level. In spite of the economic boom occurring in the bank's assessment area with the influx of the gaming industry, the poverty level remains significant. Poverty

¹Families consist of a household and one or more other occupants related to the householder by birth, marriage, or adoption. Families exclude a single person living alone and two or more unrelated individuals living together.

²Households include all persons occupying a housing unit.

**DESCRIPTION OF ASSESSMENT AREA: HINDS AND WARREN COUNTIES, MISSISSIPPI
(CONTINUED)**

Population, Age, and Income Data (Continued)

levels for the state were slightly higher at 20.2 percent for families and 24.7 percent for households. Weighted average estimates for 1989 poverty thresholds are as follows: \$6,310 for one person; \$12,674 for a family unit of four; and \$25,480 for a family unit of nine or more.

According to the 1990 Census, the median family income of the assessment area was \$36,484, compared with \$24,448 for the state of Mississippi and \$21,995 for nonmetropolitan areas of Mississippi. According to economic data provided by the Vicksburg-Warren County Chamber of Commerce, the median family income in Warren County grew by 404 percent from 1980 to 1994. The increase was due primarily to tremendous economic growth contributed by the gaming industry and the riverboat casinos.

Housing Data

According to 1990 Census data, the bank's assessment area contained 22,913 housing units of which 14,417 (62.9 percent) were owner-occupied units; 6,088 (26.6 percent) were rental units; and 2,408 (10.5 percent) were vacant units. The median housing value of the assessment area was \$59,238. 65.6 percent of the specified owner-occupied units¹ were valued at \$60,000 or less. The median gross rent was \$405. Gross rent is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water) and fuels (oil, coal, kerosene, wood, etc.).

Economic Data

According to the Regional Economic Information System, establishment employment in Warren County increased by 24.8 percent from 1990 to 1994. Establishment employment is an estimate of full-time and part-time jobs by major source and standard industrial classifications. The number of jobs increased from 24,686 in 1990 to 30,802 in 1994. As stated earlier, most of the economic growth is due to the gaming industry that started in Warren County in 1993-1994. Per capita income increased by 29.6 percent from 1990 to 1994. As a result of the economic growth, retail sales in Warren County reached an all-time high in 1994.

¹Specified owner-occupied housing units include only one-family houses on fewer than 10 acres without a business or medical office on the property.

DESCRIPTION OF ASSESSMENT AREA: HINDS AND WARREN COUNTIES, MISSISSIPPI (CONTINUED)

Economic Data (Continued)

Retail sales of over \$520 million represented a 68 percent increase since 1980. Sales tax revenue increased by 125 percent from 1980 to 1994 according to a demographic pamphlet provided by the Vicksburg-Warren County Chamber of Commerce. According to information from the Mississippi Employment Security Commission and the U.S. Census Bureau, the unemployment rate in Warren County dropped from 8.8 percent in 1992 to 5.4 percent in 1996. The unemployment rate as of February 1997 was 5 percent.

According to the Chamber of Commerce and the Mississippi Gaming Commission, the major employers¹ in the bank's assessment area are the U.S. Army Corps of Engineers - Vicksburg District (2,200 employees), U.S. Army Engineers Water Ways Experiment Station (1,500 employees), Ameristar Casino (1,228 employees), Isle of Capri Casino (1,006 employees), Anderson-Tully Company (600 employees), and Harrah's Casino (595 employees).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Merchants Bank's loan-to-deposit (LTD) ratio is considered more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average LTD for the four quarters since the previous examination was 73.8 percent. The average LTD ratios of other banks in the area ranged from 46 percent to 82.5 percent. However, none of these banks have a home office in the bank's assessment area. The asset sizes of these banks ranged from \$14 million to \$5.2 billion. Only one bank has a similar asset size to Merchants Bank; however, a comparison of the two institutions is not feasible because the assessment areas for the two institutions are not similar. According to the December 31, 1996 Uniform Bank Performance Report, Merchants Bank's LTD ratio was 73.3 percent compared with a peer group average of 71.5 percent. The bank's peer group includes all insured commercial banks having assets between \$100 million and \$300 million with three or more banking offices and located in a nonmetropolitan area.

¹Employment figures are from June 1995.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Loan-to-Deposit Ratio (Continued)

Merchants Bank's LTD ratio has been increasing since 1992. The bank's LTD ratio increased from 57.7 percent as of December 31, 1992, to 73.3 percent as of December 31, 1996. From December 31, 1995, to December 31, 1996, the bank's loan portfolio increased by \$4.8 million and deposits increased by \$5.7 million.

Most of the bank's loan increase from 1992 to 1996 occurred in real estate loans. Real estate loans increased by approximately \$38 million with the most significant increase in commercial real estate. Commercial real estate loans as a percentage of the bank's loan portfolio increased from 11 percent at year-end 1992 to 24.1 percent at year-end 1996. The real estate loan growth is expected considering the economic growth resulting from the influx of the casino industry in recent years in Warren County. The bank is above peer in loans to individuals, which constitute 24.4 percent of its loan portfolio compared to a peer group average of 16.1 percent. The bank is below peer in one-to four-family residential real estate loans, which make up 20.6 percent of the bank's loan portfolio compared to peer at 32.6 percent. However, Merchants Bank sells residential real estate loans to the secondary market. As a result, these loans are not reflected in the bank's loan portfolio. In 1996, the bank sold approximately \$13 million in residential real estate loans to the secondary market. If the \$13 million was added to net loans, the bank would have had a LTD ratio of 80.6 percent as of December 31, 1996.

Lending in the Assessment Area

To evaluate the bank's performance, all consumer motor vehicle loans and small business loans since the previous CRA examination dated January 29, 1996, were geocoded and analyzed. A small business loan is defined as a loan originated to a business with gross annual revenues of less than \$1 million. The analysis was used to determine the percentage of loans within the assessment area, the pattern of lending to borrowers of different income levels and businesses of different sizes, and the geographic distribution of loans.

A total of 251 loans was analyzed, including 127 motor vehicle loans and 124 small business loans. These loans were analyzed to evaluate the bank's lending performance within its assessment area. A significant portion of the bank's lending activity occurs within the assessment area. 90 (71 percent) of the consumer

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in the Assessment Area (Continued)

motor vehicle loans and 102 (82 percent) of the small business loans were originated within the bank's assessment area. Overall, 192 (76.5 percent) of the loans were within the assessment area. As far as total dollars lent for the consumer motor vehicle and small business loans, \$3,721,737 (70.4 percent) of \$5,284,825 was within the bank's assessment area. Of the loans originated outside the assessment area, most can be attributed to borrowers who work and conduct their banking business in the bank's assessment area, but live outside the assessment area; a relationship with a car dealer in Natchez, Mississippi; and the bank's loan production office in Jackson, Mississippi, which originates small business and real estate loans. In addition, a review of the bank's advertisements since the previous examination did not indicate that the bank performed any direct marketing to areas outside its assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's lending to borrowers of various income levels, based on consumer motor vehicle loans in the assessment area, is detailed below.

| INCOME LEVEL OF BORROWER | CONSUMER MOTOR VEHICLE LOANS | | PERCENTAGE OF TOTAL FAMILIES IN ASSESSMENT AREA |
|--------------------------|------------------------------|---------|---|
| | NUMBER | PERCENT | |
| Low | 11 | 12.0 | 23.0 |
| Moderate | 19 | 21.0 | 13.3 |
| Middle | 28 | 31.0 | 14.9 |
| Upper | 32 | 36.0 | 48.8 |
| Total | 90 | 100.0 | 100.0 |

As shown above, the proportion of loans to low-income applicants was less than their percentage make-up of the bank's assessment area. This difference could be attributed to the poverty level of 19.7 percent for families in the bank's assessment area. Low-income families are those families earning less than \$18,242 annually, \$1,520 gross monthly, or \$1,094 net monthly income using a 28 percent tax factor. According to the 1990 Census, the median gross rent for the assessment area was \$405. When gross rent is deducted

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

from a net monthly income of \$1,094, a total of \$689 remains for a family to service other debts and pay for expenses such as food, clothing, and insurance, leaving minimal income to service additional debt. The bank has not advertised motor vehicle loans since the previous examination. Most of the bank's motor vehicle loan requests are submitted by car dealerships. The proportions of loans to moderate-income and middle-income applicants are greater than their population percentages. The proportion of loans to upper-income applicants is less than its population percentage. However, because upper-income individuals may have less of a need for automobile financing or more options given that the luxury car market is predominantly leased, this discrepancy is not regarded as significant.

Of the 102 small business loans within the bank's assessment area, 95 (93.1 percent) were in amounts of \$100,000 or less; 5 (4.9 percent) were between \$100,000 and \$250,000; and 2 (2.0 percent) were greater than \$250,000. 82 of the 102 loans were approved based on the income of the borrower rather than the income of the business. Of these 82 loans, 6 (7.3 percent) were to low-income borrowers and 12 (14.6 percent) were to moderate-income borrowers. In addition, 15.8 percent (\$311,684) of the total amount of loans (\$1,978,283) was to low- and moderate-income borrowers.

Considering the demographics of the assessment area and economic factors, the bank's lending to borrowers of different incomes and businesses of different sizes exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

The table below shows the distribution of loans by geographies. The table summarizes the bank's lending in terms of the income characteristic of the geographies and the percentage of families residing in those geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

| INCOME LEVEL OF GEOGRAPHIC GROUP | CONSUMER MOTOR VEHICLE | | PERCENTAGE OF FAMILIES IN EACH GEOGRAPHIC GROUP |
|----------------------------------|------------------------|---------|---|
| | NUMBER | PERCENT | |
| Low ¹ | 0 | 0 | 0 |
| Moderate | 20 | 22 | 26.3 |
| Middle | 25 | 28 | 24.3 |
| Upper | 45 | 50 | 49.4 |
| Total | 90 | 100 | 100.0 |

The bank is doing an excellent job of originating loans in all types of geographies. Most of the bank's consumer motor vehicle loan requests are submitted indirectly through car dealers who maintain a relationship with the bank. One of the dealerships is in a moderate-income tract; two are in middle-income tracts; and one is located in an upper-income tract. The difference in origination of loans in moderate-income areas versus the percentage of the population living in moderate-income areas is primarily due to the poverty level. The largest percentage of families below the poverty level live in moderate-income areas.

The distribution of small business loans by geographies reflects an excellent dispersion. 31.4 percent of the loans were in moderate-income areas; 27.4 percent were in middle-income areas; and 41.2 percent were in upper-income areas. In comparison, moderate-income areas constitute 28.6 percent of the assessment area; middle-income areas make up 28.6 percent of the assessment area; and upper-income areas make up 35.7 percent of the assessment area.²

Complaints

No complaints relating to CRA performance have been filed against the bank since the previous examination.

¹The 1990 Census showed only seven residents and no families in the low-income BNA in the bank's assessment area.

²The BNA classified as low-income is not developed for business establishments.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Investments and Services

Since the previous examination, Merchants Bank has participated in two qualified investment projects totaling \$901,000. A qualified investment is defined as an investment where the primary purpose is community development for low- and moderate-income individuals or geographies.

Merchants Bank invested \$800,000 in single-family mortgage revenue bonds issued by the Mississippi Home Corporation. This initiative is aimed at providing affordable housing to low- and moderate-income families and to families in economically distressed areas. Also, Merchants Bank purchased a \$101,000 public improvement bond issued by the City of Vicksburg. The public improvements will benefit all the citizens of Vicksburg, including low- and moderate-income residents. In addition, the bank has approximately \$491,056 (book value) of bonds outstanding issued by the City of Vicksburg or Warren County for purposes of improving the community such as repairing streets and improving sanitary, storm, drainage, or sewerage systems.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of antidiscrimination laws and regulations were noted. Personnel involved in the lending process are familiar with fair lending issues and how they relate to credit application and the evaluation process. Through periodic employee training, the bank's policy on fair treatment of all customers has been communicated from senior management to all staff members.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE (AND A DESIGNATED OFFICE IN EACH OF YOUR LOCAL COMMUNITIES) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS MARCH 24, 1997, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

(Signature of Authorized Officer)

(Title)

MERCHANTS BANK

(Name of Bank)

VICKSBURG, MISSISSIPPI

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Merchants Bank
820 South Street
Vicksburg, Mississippi 39180

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Gary L. Clayton using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office (and a designated office in each of your local communities) no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Ms. Patricia Hartje
Regional Compliance Manager
Office of the Comptroller of the Currency
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303

Dear Ms. Hartje:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for Merchants Bank, Vicksburg, Mississippi, as of March 24, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Mr. Joel Palmer
Assistant Director II
Regional Operations - Compliance
Office of Thrift Supervision
1475 Peachtree Street, N.E.
Atlanta, Georgia 30309

Dear Mr. Palmer:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for Merchants Bank, Vicksburg, Mississippi, as of March 24, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Mr. Jimmy Loyless
Regional Director
Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1600
1201 West Peachtree Street, N.E.
Atlanta, Georgia 30309-3449

Dear Mr. Loyless:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for Merchants Bank, Vicksburg, Mississippi, as of March 24, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Name of Bank: MERCHANTS BANK

City and State: VICKSBURG, MISSISSIPPI

Date of Examination: MARCH 24, 1997

FEDERAL RESERVE BANK OF ATLANTA